



GRIGEO AB

Interim information for the six months of 2017



CONFIRMATION OF RESPONSIBLE PERSONS

Pursuing Part 2 of Article 22 of the Law on Securities of the Republic of Lithuania, and rules prepared by the Lithuanian Securities Commission for preparation and announcement of periodical and supplementary information, we, the undersigned – President Gintautas Pangonis and Vice President for finance Nina Šilerienė approve that not audited consolidated financial statements of Grigeo AB for the six months of 2017 year, 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, cash flow and also that the consolidated report for the six months of 2017 year shows fair business environment as well as description of the company's performance.

President of Grigeo AB



Gintautas Pangonis

Vice President for finance
of Grigeo AB

Nina Šilerienė

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

Reports have been prepared for the six months of 2017.

2. AUDIT INFORMATION

The interim consolidated information of Grigeo AB covering six months of 2017 is not audited or checked-up by auditors.

3. GROUP COMPANIES AND THEIR CONTACT DETAILS

On the 30th of June 2017 Grigeo AB (further the Company or the Issuer) had nine subsidiaries: Grigeo Klaipėda AB, Grigeo Baltwood UAB, Grigeo Recycling UAB, Grigeo Recycling SIA, Mena Pak PAT, Grigeo investicijų valdymas UAB, Naujieji Verkliai UAB, Grigeo Packaging UAB and Grigiškių energija UAB.

Status	Issuer	Subsidiary	Subsidiary
Name	Grigeo AB	Grigeo Klaipėda AB	Grigeo Baltwood UAB
Company's ID No.	110012450	141011268	126199731
Authorised capital	19,053,000 Eur	11,890,550.55 Eur	6,100,000 Eur
Shares directly or indirectly controlled by Grigeo AB	Company has not acquired any shares of itself	97.67 %**	100 %*
Address	Vilniaus str. 10, Grigiškės, Vilnius	Nemuno str. 2, Klaipėda	Vilniaus str. 10, Grigiškės, Vilnius
Phone	+370 5 243 58 01	+370 46 39 56 01	+370 5 243 59 00
Fax	+370 5 243 58 02	+370 46 39 56 00	+370 5 243 59 10
E-mail	info@grigeo.lt	info.klaipeda@grigeo.lt	info.baltwood@grigeo.lt
Internet address	http://www.grigeo.lt/en	http://www.grigeo.lt/en	http://www.grigeo.lt/en
Legal form	Public Limited Liability Company	Public Limited Liability Company	Private Limited Liability Company
Date of registration	23 May, 1991	22 September, 1994	10 April, 2003
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers
Status	Subsidiary	Subsidiary	Subsidiary
Name	Grigeo Recycling UAB	Grigeo Recycling SIA	Mena Pak PAT
Company's ID No.	302529158	40203001091	00383260
Authorised capital	1,160,000 Eur	2,800 Eur	4,011,470 UAH
Shares directly or indirectly controlled by Grigeo AB	100 %***	100 %****	97.92 %***
Address	Vilniaus str. 10, Grigiškės, Vilnius	Kārļa Ulmaņa str. 3, Rīga, Latvia	Koshevovo str. 6, Chernihiv region, Mena, Ukraine
Phone	+370 5 243 3393	+370 5 243 3393	+380 4644 21341
Fax	-	-	+380 4644 21084
E-mail	info.recycling@grigeo.lt	info.recycling@grigeo.lt	menapack@ukr.net
Internet address	http://www.grigeo.lt/en	-	www.menapack.com.ua
Legal form	Private Limited Liability Company	Private Limited Liability Company	Public Limited Liability Company
Date of registration	16 July, 2010	16 June, 2016	30 December, 1993
Administrator of the register	State Enterprise Centre of Registers	Latvian Republic register of enterprises	Chernihiv region, Mena distr. Public administration

Status	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Name	Grigeo investicijų valdymas UAB	Naujieji Verkiai UAB	Grigeo Packaging UAB	Grigiškių energija UAB
Company's ID No.	302416687	300015674	302329061	302674488
Authorised capital	3,709,776 Eur	28,962 Eur	2,900 Eur	2,900 Eur
Shares directly or indirectly controlled by Grigeo AB	100 %*	100 %*	100 %*	100 %*
Address	Vilniaus str. 10, Grigiškės, Vilnius	Popieriaus str. 15, Vilnius	Vilniaus str. 10, Grigiškės, Vilnius	Vilniaus str. 10, Grigiškės, Vilnius
Phone	+370 5 243 5933	+370 5 243 59 33	+370 5 243 58 01	+370 5 243 5933
Fax	+370 5 243 58 02	+370 5 243 58 02	+370 5 243 58 02	+370 5 243 58 02
E-mail	vigmantas.kazukauskas@grigeo.lt	info@grigeo.lt	info@grigeo.lt	vigmantas.kazukauskas@grigeo.lt
Internet address	-	-	-	-
Legal form	Private Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company
Date of registration	10 July, 2009	6 April, 2004	10 April, 2009	7 October, 2011
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

*- Shares directly controlled by AB Grigeo.

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

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

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

4. MISSION, VISSION, VALUES OF THE COMPANIES

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

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

Vission – Recognized as the European manufacturer.

Values



5. NATURE OF CORE ACTIVITIES OF THE GROUP COMPANIES

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

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

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

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

Core business activities of Grigeo Packaging UAB are as follows: manufacturing of corrugated board, products from corrugated board. The company has not been operating in year 2017.

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 2017.

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

Core business activity of Grigeo Recycling SIA are as follows: second-hand paper collection and preparation for recycling. The company has not been operating in year 2017.

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

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

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

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

7. AUTHORISED CAPITAL OF THE ISSUER

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

7.1.1. Table. Structure of the authorized capital

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

All shares of the Issuer are fully paid up.

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

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

7.3. Rights and obligations conferred by the shares

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

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

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

8. SHAREHOLDERS

8.1. Number of shareholders of the Company

On the 30th of June 2017 there were 2,748 shareholders of Grigeo AB.

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

8.2. table. Shareholders owning in excess of 5 per cent of the authorised capital of the Issuer on the 30th of June 2017 and/or the 31st of December 2016.

Shareholder's name (company's name, type, headquarters address, corporate ID number)	30 June 2017			31 December 2016		
	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %
UAB „GINVILDOS INVESTICIJA“ Turniškių str. 10a-2, Vilnius, 125436533	28,582,407	43.50	43.50	28,582,407	43.50	43.50
IRENA ONA MIŠEIKIENĖ	7,857,585	11.96	11.96	7,857,585	11.96	11.96

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

8.3. Shareholders holding special controlling rights

There are no shareholders holding special controlling rights.

8.4. Restrictions of the voting rights

There are no restrictions of the voting rights.

8.5. Agreements between/among the shareholders

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

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

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

9.1. Key characteristics of the shares of the Company

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

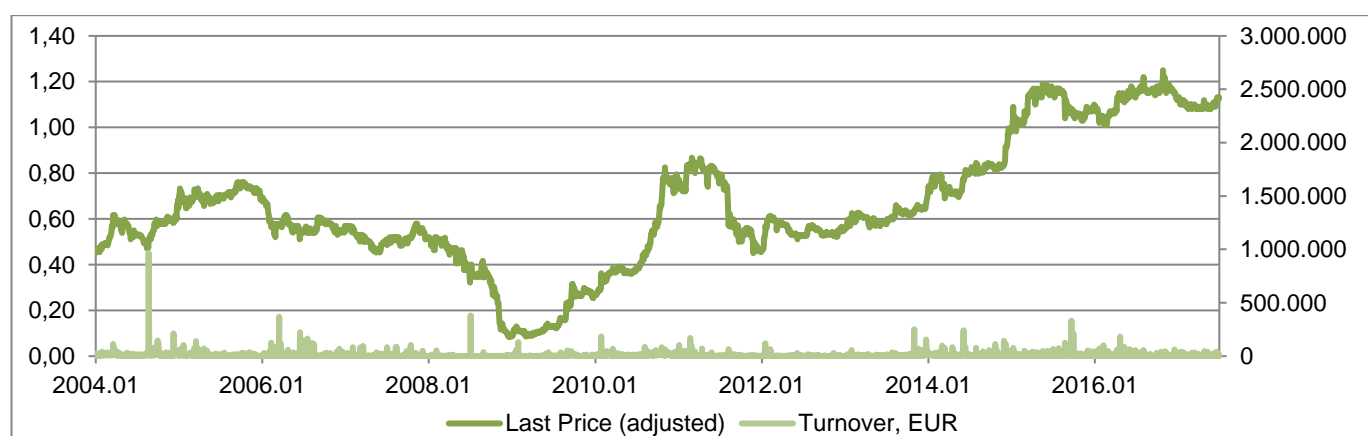
Type of shares	Securities ISIN code	Number of shares	Par value, EUR	Total par value, EUR
Registered ordinary shares	LT0000102030	65,700,000	0.29	19,053,000

9.2. Share trading information

9.2. table. Share trading information

Reported period	Price, EUR				Turnover, EUR			Total turnover	
	Max.	Min.	Last session	Average	Max.	Min.	Last session	Units	EUR
2013	0.707	0.560	0.707	0.624	252,972	0	27,847	3,490,316	2,179,853
2014, I Q	0.795	0.690	0.730	0.748	97,600	0	1,992	1,173,593	877,683
2014, II Q	0.814	0.695	0.798	0.744	243,318	0	1,995	1,340,247	996,743
2014, III Q	0.845	0.798	0.840	0.820	77,804	0	0	757,732	621,547
2014, IV Q	0.997	0.811	0.980	0.866	144,805	0	1,323	1,073,638	929,449
2014	0.997	0.690	0.980	0.788	243,318	0	1,323	4,345,210	3,425,422
2015, I Q	1.160	0.982	1.160	1.047	76,624	0	8,086	619,999	649,240
2015, II Q	1.190	1.100	1.170	1.155	56,780	0	56,780	639,333	738,494
2015, III Q	1.170	1.040	1.070	1.084	331,209	0	212,477	1,498,711	1,624,843
2015, IV Q	1.100	1.030	1.100	1.066	53,523	116	13,903	487,498	519,606
2015	1.190	0.982	1.100	1.088	331,209	0	13,903	3,245,541	3,532,183
2016, I Q	1.090	1.010	1.080	1.042	102,188	0	10,596	845,479	881,331
2016, II Q	1.180	1.070	1.150	1.128	183,659	454	12,207	1,065,079	1,201,738
2016, III Q	1.220	1.140	1.180	1.169	56,960	0	12,582	379,397	443,588
2016, IV Q	1.250	1.120	1.130	1.177	63,348	0	15,898	597,790	703,627
2016	1.250	1.010	1.130	1.119	183,659	0	15,898	2,887,745	3,230,284
2017, I Q	1.130	1.080	1.090	1.099	39,634	0	3,017	496,998	546,188
2017, II Q	1.130	1.080	1.130	1.100	47,155	0	4,209	488,357	537,049

9.2. figure. Share price and turnover 01.01.2004 – 30.06.2017.



9.3. Capitalisation of the Company's shares

9.3. table. Capitalisation of the Company's shares

Last session date	Capitalisation, EUR
31.12.2013	46,447,000
31.03.2014	47,970,000
30.06.2014	52,422,000
30.09.2014	55,181,000
31.12.2014	64,391,000
31.03.2015	76,212,000
30.06.2015	76,869,000
30.09.2015	70,299,000
31.12.2015	72,270,000
31.03.2016	70,956,000
30.06.2016	75,555,000
30.09.2016	77,526,000
31.12.2016	74,241,000
31.03.2017	71,613,000
30.06.2017	74,241,000

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

As it is disclosed previous interim reports there were no significant changes in number of employees or salary. Over the six months of the year 2017 the number of the Group employees fluctuated naturally. The change of average salary was mostly caused by the following factors: labour market factors and the need and recruitment of workers of higher competences after investment projects were implemented.

10.1. table. Number of employees of the Group

	30.06.2017	31.12.2016
Number of employees	805	804

10.2. table. Number of employees of the Company

	30.06.2017	31.12.2016
Number of employees	366	357

10.3. table. Average number of employees, salary and grouping of employees by education of the Group during the six months of 2017.

Employees	Average salary*	Employees by education			
		University	College	Secondary	Basic
Workpeople	978	64	174	295	20
Specialists	1,287	130	29	13	-
Managers	2,922	71	2	7	-
Total	1,248	265	205	315	20

10.4. table. Average number of employees, salary and grouping of employees by education of the Group during the six months of 2016.

Employees	Average salary*	Employees by education			
		University	College	Secondary	Basic
Workpeople	882	57	188	297	16
Specialists	1,249	126	29	10	-
Managers	3,201	70	5	7	-
Total	1,210	253	222	314	16

10.5. table. Average number of employees, salary and grouping of employees by education of the Company during the six months of 2017.

Employees	Average salary	Employees by education			
		University	College	Secondary	Basic
Workpeople	997	33	75	114	10
Specialists	1,364	68	12	11	-
Managers	3,279	35	2	2	-
Total	1,337	136	89	127	10

10.6. table. Average number of employees, salary and grouping of employees by education of the Company during the six months of 2016.

Employees	Average salary	Employees by education			
		University	College	Secondary	Basic
Workpeople	866	21	74	124	10
Specialists	1,336	62	9	8	-
Managers	3,221	33	4	2	-
Total	1,237	116	87	134	10

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

11. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE ISSUER

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

12. INFORMATION ON THE MANAGING BODIES OF THE ISSUER

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

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

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

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

12.1. Members of the managing bodies

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

Full names	Positions	Education	Tenure	Capital share and votes, %
SUPERVISORY COUNCIL				
Norimantas Stankevičius	Chairman	University	Since 30 April 2015 until the annual General Meeting, to be held in 2019	4.41
Vilius Oškeliūnas	Member	University		-
Romualdas Degutis	Member	University		0.03
Tautvilas Adamonis	Member	University		-
Daiva Duksienė	Member	University		-
AUDIT COMMITTEE				
Norimantas Stankevičius	Member	University	Since 30 April 2015 until the annual General Meeting, to be held in 2019	4.41
Tautvilas Adamonis	Member	University		-
Daiva Duksienė	Member	University		-
BOARD				
Gintautas Pangonis	Chairman	University	Since 30 April 2015 until the annual General Meeting, to be held in 2019	-
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	-	0.30

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

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

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

Nina 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
Grigeo AB	Finance Director, member of the board
Grigeo AB	Vice president, Finance, member of the board

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

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

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
Norimantas Stankevičius	Grigeo AB	Chairman of the supervisory council	Grigeo AB	4.41
	Didma UAB	Project director	Didma UAB	51.0
			Statybų namai, UAB	62.0
			Technikos namai, UAB	62.0
Vilius Oškeliūnas	Grigeo AB	Member of the supervisory council	UAB VĮ „Gerovės kūrimas“	50.0
	Gerovės kūrimas UAB	Director	UAB FPĮ „Gerovės valdymas“	50.0
	Gerovės kūrimas UAB	Member of the board		
	Gerovės valdymas UAB	Wealth manager		
	IM investment UAB	Director		
	Ars Lab Limited, IE	Chairman of the board		
Romualdas Degutis	Grigeo AB	Member of the supervisory council	Grigeo AB	0.03
	Telesat sprendimai UAB	Member of the board	UAB „Telesat sprendimai“	50.0
	Antena UAB	Chairman of the board	UAB „Antena“	35.0
	InComSystems UAB	Chairman of the board	UAB „InComSystems“	60.0
	InComSystems UAB	Project manager		
Tautvilas Adamonis	Grigeo AB	Member of the supervisory council		
	Statnekta UAB	Project manager		
Daiva Duksienė	Grigeo AB	Member of the supervisory council		
	Autodina UAB	Chief accountant		
	UAB „Vilturas“	Chief accountant		
	UAB „Ginekologijos ir šeimos klinika“	Chief accountant		
Gintautas Pangonis	Grigeo AB	President		
	Ginvildos investicija UAB	Director	Ginvildos investicija UAB	100.0
	Grigeo AB	Chairman of the board		
	Grigeo Klaipėda AB	Chairman of the board		
	Naujieji Verkiai UAB	Chairman of the board		
	Grigeo Baltwood UAB	Chairman of the board		
	Grigeo Packaging UAB	Chairman of the board		

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
	Grigiškių energija UAB	Chairman of the board		
	Grigeo Recycling UAB	Chairman of the board		
	Mena Pak PAT	Chairman of the Supervisory council		
	Grigeo Recycling SIA	Chairman of the Supervisory council		
Normantas Paliokas	Didma UAB	Head of Vilnius Representative Office		
	Grigeo AB	Member of the board		
Vigmantas Kažukauskas	Grigeo AB	Vice president, Business Development	Grigeo AB	0.85
	Grigeo AB	Member of the board		
	Grigeo Klaipėda AB	Member of the board		
	Grigeo Baltwood UAB	Member of the board		
	Naujieji Verkiai UAB	Director		
	Naujieji Verkiai UAB	Member of the board		
	Grigeo Packaging UAB	Director		
	Grigeo Packaging UAB	Member of the board		
	Grigiškių energija, UAB	Director		
	Grigiškių energija, UAB	Member of the board		
Vytautas Juška	Grigeo AB	Vice president, Purchasing & Logistics		
	Grigeo AB	Member of the board		
	Grigeo Klaipėda AB	Member of the board		
	Grigeo Baltwood UAB	Member of the board		
	Grigeo Recycling UAB	Member of the board		
	Grigiškių energija UAB	Member of the board		
	Grigeo Recycling SIA	Deputy Chairman of the Supervisory council		
Nina Šilerienė	Grigeo AB	Vice President, Finance	Grigeo AB	0.24
	Grigeo AB	Member of the board		
	Grigeo Klaipėda AB	Member of the board		
	Naujieji Verkiai UAB	Member of the board		
	Grigeo Baltwood UAB	Member of the board		
	Grigeo Packaging UAB	Member of the board		
	Grigiškių energija UAB	Member of the board		

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

The Supervisory Council of Grigeo AB was elected on the 30th of April 2015 for a 4 years' period (ending in 2019). The Board of the Company was elected on the 30th of April 2015 for a 4 years' period (ending in 2019).

13. INFORMATION ABOUT COMPLIANCE WITH GOVERNANCE CODE

Grigeo AB follows a Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange. Information presented in the Annual Report of 2016 has not undergone any changes.

14. REVIEW OF ACTIVITY OF THE GROUP COMPANIES

14.1. Material events in the Issuer's activities

This section contains summary of all GRIGEIO AB published reports on material event. Full text of reports could be found on the Company's website:

<http://www.grigeo.lt/en/for-investors/notices-on-material-events/2017>.

28.02.2017 During the 2016, the Group achieved the consolidated sales turnover of EUR 102.5 million. During the same period in question, the Company's sales amounted to EUR 57 million. During the reporting period, the Group earned EUR 4.5 million and the Company earned EUR 3.3 million.

31.03.2017 The Annual General Meeting of Shareholders of Grigeo Grigiškės AB is convened by initiative and the decision of the Board of the Company on the 25 April, 2017, at 11 a.m.

24.04.2017 According to unaudited data during the three months of 2017, the Group achieved the consolidated sales turnover of EUR 30.2 million. During the same period in question, the Company's sales amounted to EUR 16.3 million.

25.04.2017 The General Meeting of shareholders of Grigeo Grigiškės AB made the following decisions:

- To approve the set of consolidated and separate financial statements of the Company for the year 2016.
- To approve the appropriation of the Company's profit for the year 2016 according to the draft of profit appropriation presented for the Annual General Meeting of Shareholders.
- To change the name of the Company Grigeo Grigiškės AB to Grigeo AB.
- With regard to the adopted decision above, to amend clauses 1.1. and 1.4. of the Articles of Association of the Company.

02.05.2017 The amended Articles of Association of Grigeo AB were registered with the Register of Legal Persons.

08.05.2017 During the three months of 2017, the Group achieved the consolidated sales turnover of EUR 30.2 million. During the same period in question, the Company's sales amounted to EUR 16.3 million.

During the reporting period, the Group earned EUR 1.5 million and the Company earned EUR 1.1 million profit before taxes.

14.2. Newest events in the Issuer's activities

This section contains summary of all GRIGEIO AB published reports on material event. Full text of reports could be found on the Company's website:

<http://www.grigeo.lt/en/for-investors/notices-on-material-events/2017>.

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

14.3. Offices and branches

Company has Country marketing representatives operating in Latvia and Estonia. No new offices or branches are planned to open in 2017.

13.4. Risk factors

Information about financial risk management is provided in note No.3 of annual audited consolidated statements and annual report's chapter No. 13.4 for the year 2016. There are no material changes in financial risk management during six months of year 2017.

14.5. Suppliers

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

Supplier's country	2017	2016
	%	%
Lithuania	57.3	67.3
Finland	19.9	8.0
Poland	5.7	3.5
Estonia	4.8	6.2
Sweden	4.7	10.0
Austria	1.8	0.1
Germany	1.6	2.0
Latvia	1.5	0.9
Italy	1.4	0.3
Russia	0.4	0.0
Other countries	0.9	1.7
TOTAL	100.0	100.0

14.6. Segment information

For management purposes, the Group is organized into three and the Company is organized into two operating business units based on their products produced and have three reportable segments: paper, hardboard, raw material for corrugated cardboard and related production:

14.6.1. table. Consolidated segments of the Group over the six months of the year 2017

	Paper and paper products	Hardboard	Raw material for corrugated cardboard and related production	Unallocated	Eliminations	TOTAL
Sales	21,890,790	8,068,217	31,746,097	628,810	-	62,333,914
Sales between segments	-	(280,225)	(4,780,751)	(1,740,322)	6,801,298	-
Non-consolidated segment sales	21,890,790	8,348,442	36,526,848	2,369,132	(6,801,298)	62,333,914
Cost of sales	(18,079,721)	(6,912,917)	(25,722,530)	(512,326)	-	(51,227,494)
Gross profit	3,811,069	1,155,300	6,023,567	116,484	-	11,106,420
Depreciation and amortization	2,632,129	990,558	3,000,194	591,042	-	7,213,923
Segment property, plant and equipment and intangible assets	34,712,633	6,412,870	43,730,730	5,462,031	-	90,318,264
Goodwill	-	-	3,001,072	-	-	3,001,072
Segment capital expenditure	715,783	91,482	852,669	225,698	-	1,885,632

14.6.2. table. Consolidated segments of the Group over the six months of the year 2016

	Paper and paper products	Hardboard	Raw material for corrugated cardboard and related production	Unallocated	Eliminations	TOTAL
Sales	17,442,619	8,234,150	24,095,306	539,375	-	50,311,450
Sales between segments	-	(493,950)	(3,742,587)	(2,179,329)	6,415,866	-
Non-consolidated segment sales	17,442,619	8,728,100	27,837,893	2,718,704	(6,415,866)	50,311,450
Cost of sales	(14,451,490)	(6,893,786)	(19,905,383)	(431,520)	-	(41,682,179)
Gross profit	2,991,129	1,340,364	4,189,923	107,855	-	8,629,271
Depreciation and amortization	2,362,371	640,804	2,081,117	566,272	-	5,650,564
Segment property, plant and equipment and intangible assets	31,086,141	7,478,976	36,452,871	6,093,282	-	81,111,270
Goodwill	-	-	3,001,072	-	-	3,001,072
Segment capital expenditure	2,594,649	184,227	5,603,632	51,218	-	8,433,726

14.6.3. table. Segments of the Company over the six months of the year 2017

	Paper and paper products	Corrugated cardboard and related production	Unallocated	TOTAL
Sales	21,890,790	9,534,399	2,369,132	33,794,321
Cost of sales	(18,079,721)	(7,716,143)	(2,291,741)	(28,087,605)
Gross profit	3,811,069	1,818,256	77,391	5,706,716
Depreciation and amortization	2,632,129	750,728	591,041	3,973,898
Segment property, plant and equipment and intangible assets	34,712,633	8,275,079	5,462,031	48,449,743
Segment capital expenditure	715,783	396,077	225,698	1,337,558

14.6.4. table. Segments of the Company over the six months of the year 2016

	Paper and paper products	Corrugated cardboard and related production	Unallocated	TOTAL
Sales	17,442,619	6,779,057	2,718,704	26,940,380
Cost of sales	(14,451,490)	(5,564,800)	(2,579,338)	(22,595,628)
Gross profit	2,991,129	1,214,257	139,366	4,344,752
Depreciation and amortization	2,362,371	543,064	566,272	3,471,707
Segment property, plant and equipment and intangible assets	31,086,141	7,808,580	6,093,282	44,988,003
Segment capital expenditure	2,594,649	610,429	51,218	3,256,296

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

Country	Group				Company			
	six months of 2017		six months of 2016		six months of 2017		six months of 2016	
	thousand euros	%	thousand euros	%	thousand euros	%	thousand euros	%
Lithuania	20,210	32.42	16,955	33.70	14,059	41.60	13,285	49.31
Latvia	3,307	5.31	3,141	6.24	3,063	9.06	2,907	10.79
Poland	19,151	30.72	11,475	22.81	7,228	21.39	2,021	7.50
Sweden	2,113	3.39	2,114	4.20	1,325	3.92	1,029	3.82
Denmark	2,571	4.12	3,111	6.18	2,070	6.13	2,513	9.33
Estonia	4,167	6.68	3,321	6.60	3,180	9.41	2,445	9.08
The Netherlands	601	0.96	516	1.03	182	0.54	36	0.13
Slovakia	-	-	44	0.09	-	-	-	-
Finland	3,227	5.18	3,262	6.48	1,761	5.21	1,519	5.64
Great Britain	896	1.44	1,317	2.62	31	0.09	400	1.48
Norway	46	0.07	50	0.10	46	0.14	50	0.19
Czech Republic	681	1.09	976	1.94	-	-	-	-
Germany	679	1.09	395	0.79	26	0.08	26	0.10
Belarus	1,072	1.72	630	1.25	326	0.96	168	0.62
Hungary	175	0.28	230	0.46	51	0.15	38	0.14
Italy	54	0.09	43	0.09	20	0.06	-	-
France	84	0.14	80	0.16	16	0.05	-	-
Ukraine	2,602	4.17	1,937	3.85	228	0.67	171	0.63
Russia	309	0.50	474	0.94	84	0.25	262	0.97
Other countries	390	0.63	240	0.48	98	0.29	70	0.26
Total	62,334	100.00	50,311	100.00	33,794	100.00	26,940	100.00

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

It is planned that the Group which consists of companies Grigeo AB, Grigeo Baltwood UAB, Grigeo Klaipėda AB, Grigeo Recycling UAB and Mena Pak PAT in the year 2017 will reach a turnover of EUR 121.5 million. The Group's profit before taxes will reach EUR 5.8 million. It is also planned that EBITDA of the Group will reach EUR 20.7 million in 2017.

It is planned that Grigeo AB in the year 2017 will reach a turnover of EUR 68 million. The Company will earn a profit before taxes of EUR 3 million. It is also planned that EBITDA of Grigeo AB will reach EUR 11.5 million in 2017.

These forecasts are not audited.

14.8. Financial indicators

14.8.1. table. Group's financial indicators

Financial ratios	six months of 2013, not audited	six months of 2014, not audited	six months of 2015, not audited	six months of 2016, not audited	six months of 2017, not audited
EBITDA	5,350,796	7,348,910	8,964,013	7,888,388	10,613,812
EBITDA profitability	11.8%	14.5%	17.5%	15.7%	17.0%
Gross margin	14.5%	17.6%	20.2%	17.2%	17.8%
Operating margin	3.6%	6.9%	9.3%	5.2%	6.1%
Net margin	2.7%	5.7%	7.9%	4.0%	5.0%
ROE, %	3.8%	8.4%	9.9%	4.4%	6.4%
ROA, %	1.7%	3.5%	4.2%	1.9%	2.8%
Current ratio	0.96	0.89	0.96	0.88	0.79
Quick ratio	0.66	0.59	0.64	0.52	0.54
Cash to current liabilities	0.097	0.014	0.097	0.014	0.014
P/E	28.35	16.68	18.96	37.96	23.73
Earnings per share	0.020	0.043	0.062	0.030	0.048
Debt to equity ratio	1.10	1.27	1.17	1.20	1.37
Debt to total assets ratio	0.50	0.53	0.51	0.52	0.58

14.8.2. table. Company's financial indicators

Financial ratios	six months of 2013, not audited	six months of 2014, not audited	six months of 2015, not audited	six months of 2016, not audited	six months of 2017, not audited
EBITDA	3,109,791	3,647,354	4,200,226	4,535,978	5,383,109
EBITDA profitability	15.8%	15.5%	16.0%	16.8%	15.9%
Gross margin	16.2%	16.6%	17.5%	16.1%	16.9%
Operating margin	5.2%	6.3%	7.2%	4.9%	4.9%
Net margin	4.3%	5.6%	6.9%	6.8%	5.5%
ROE, %	2.8%	4.2%	5.2%	5.0%	4.9%
ROA, %	1.7%	2.4%	2.8%	2.6%	2.6%
Current ratio	1.17	0.92	0.78	1.00	0.87
Quick ratio	0.90	0.69	0.50	0.66	0.67
Cash to current liabilities	0.223	0.016	0.001	0.0002	0.0003
Earnings per share	0.014	0.020	0.028	0.028	0.028
Debt to equity ratio	0.45	0.69	0.80	0.81	0.90
Debt to total assets ratio	0.29	0.38	0.42	0.42	0.47

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

EBITDA profitability = EBITDA / Revenue

Gross margin = Gross profit / Revenue

Operating margin = Profit from operations / Revenue

ROE, % = Net profit / average equity

ROA, % = Net profit / average assets

Current ratio = Current assets / current liabilities

Quick ratio = (Current assets - Inventories) / current liabilities

Cash to current liabilities = cash / current liabilities

P/E = the market price of share / Total of attributable profit

Earnings per share = (Net profit - preferred stock dividends) / weighted average number of ordinary shares in circulation

Debt to equity ratio = liabilities / Equity
 Debt to total assets ratio = liabilities / assets

14.9. Related party transactions

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

Grigeo Klaipėda AB – subsidiary of Grigeo AB.

Grigeo Baltwood UAB – subsidiary of Grigeo AB.

Mena Pak PAT – subsidiary of Grigeo AB.

Grigeo investicijų valdymas UAB – subsidiary of Grigeo AB.

Ginvildos Investicija UAB – major shareholders of Grigeo AB.

Didma UAB and Statybų namai UAB – companies related to the members of Supervisory Council.

Grigeo Packaging UAB – subsidiary of the group not subject to consolidation.

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

Grigeo Recycling UAB – subsidiary of Grigeo AB.

Grigeo Recycling SIA – subsidiary of Grigeo AB.

Grigiškių energija UAB – subsidiary of the group not subject to consolidation.

14.9.1. table. Group's transactions with related persons over the six months of 2017. Balances of amounts receivable/payable in relation thereto on the 30th of June 2017 (EUR)

	Sale of goods and services	Purchase of goods and services	Amounts receivable*	Amounts payable
Entities with significant influence	-	11,906	-	3,936
Subsidiaries	879	-	-	-
Other related companies	4,517	-	1,186	-
Total	5,396	11,906	1,186	3,936

*Amounts receivable include prepayments for goods and services.

14.9.2. table. Company's transactions with related persons over the six months of 2017. Balances of amounts receivable/payable in relation thereto on the 30th of June 2017 (EUR)

	Sale of goods and services	Purchase of goods and services	Amounts receivable*	Amounts payable
Entities with significant influence	-	8,728	-	1,983
Subsidiaries	2,200,561	4,946,296	701,582	753,409
Other related companies	4,517	-	1,186	-
Total	2,205,078	4,955,024	702,768	755,392

15. FINANCIAL INFORMATION

15.1. Statement of financial position

	Notes	The Group		The Company	
		30.06.2017	31.12.2016	30.06.2017	31.12.2016
ASSETS					
Non-current assets:					
Property, plant and equipment	15.7	88,368,191	93,949,297	47,397,078	50,055,203
Investment property	15.8	789,110	804,401	789,110	804,401
Intangible assets	15.9	4,162,035	3,943,600	263,555	229,538
Investments into subsidiaries	15.10	-	-	8,468,001	8,468,001
Investments into other companies		29,449	28,962	28,962	28,962
Non-current receivables		264,565	302,236	816,845	817,215
Deferred income tax assets		256,160	239,321	449,185	436,243
TOTAL NON-CURRENT ASSETS		93,869,510	99,267,817	58,212,736	60,839,563
CURRENT ASSETS:					
Inventories	15.13	8,285,641	8,807,655	3,427,546	3,436,538
Accounts receivable	15.11	16,301,157	12,003,534	10,737,981	7,686,380
Other current assets		318,467	229,694	198,573	134,128
Advance income tax		123,334	170,282	-	83,216
Cash and cash equivalents	15.12	455,224	566,964	4,228	2,122
TOTAL CURRENT ASSETS		25,483,823	21,778,129	14,368,328	11,342,384
TOTAL ASSETS		119,353,333	121,045,946	72,581,064	72,181,947
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15.14	19,053,000	19,053,000	19,053,000	19,053,000
Share premium		1,118,906	1,118,906	1,118,906	1,118,906
Legal reserve		1,905,300	1,905,300	1,905,300	1,905,300
Own shares reserve		1,000,000	1,000,000	1,000,000	1,000,000
Hedging reserve		(140,894)	(224,629)	(83,959)	(137,574)
Foreign currency translation reserve		(2,074,897)	(2,021,969)	-	-
Retained earnings		29,229,996	28,729,919	15,197,182	15,959,836
Non-controlling interests		321,946	577,861	-	-
TOTAL EQUITY		50,413,357	50,138,388	38,190,429	38,899,468
NON-CURRENT LIABILITIES:					
Grants and subsidies		3,274,946	3,678,004	2,215,881	2,471,789
Non-current borrowings	15.15	33,039,945	27,458,313	15,505,183	9,923,551
Finance lease obligations		221,269	222,387	72,925	72,925
Deferred income tax liability		-	-	-	-
Fair value of financial instruments		140,894	224,629	83,959	137,574
Non-current employee benefits		151,387	151,387	80,765	80,765
Long-term trade payables and other non-current liabilities		-	-	-	-
TOTAL NON-CURRENT LIABILITIES		36,828,441	31,734,720	17,958,713	12,686,604
CURRENT LIABILITIES:					
Current portion of long term loans	15.15	7,097,237	16,743,536	2,575,737	9,700,536
Current borrowings	15.15	4,542,754	748,432	2,176,239	124,943
Current portion of financial lease obligations		188,760	469,974	69,986	213,833
Income tax payable		44,395	23	24,519	-
Trade and other payables	15.16	20,238,389	21,210,873	11,585,441	10,556,563
TOTAL CURRENT LIABILITIES		32,111,535	39,172,838	16,431,922	20,595,875
TOTAL EQUITY AND LIABILITIES		119,353,333	121,045,946	72,581,064	72,181,947

15.2. Statements of comprehensive income

	Notes	The Group				The Company			
		January – June 2017	January – June 2016	April – June 2017	April – June 2016	January – June 2017	January – June 2016	April – June 2017	April – June 2016
Revenue		62,333,914	50,311,450	32,138,314	24,339,794	33,794,321	26,940,380	17,509,144	13,526,013
Cost of sales		51,227,494	41,682,179	26,149,698	20,173,349	28,087,605	22,595,628	14,859,147	11,147,489
Gross profit		11,106,420	8,629,271	5,988,616	4,166,445	5,706,716	4,344,752	2,649,997	2,378,524
Other operating income	15.17	504,333	524,271	298,487	460,107	492,430	268,731	289,440	211,390
Selling and distribution expenses		4,905,234	3,879,088	2,530,679	1,947,002	2,852,364	2,008,598	1,466,048	1,055,175
General and administrative expenses		2,738,264	2,594,285	1,531,427	1,531,223	1,410,660	1,204,708	844,982	669,665
Other operating expenses	15.18	164,308	39,287	123,609	38,192	271,003	79,998	130,327	38,577
Profit from operations		3,802,947	2,640,882	2,101,388	1,110,135	1,665,119	1,320,179	498,080	826,497
Other finance income		12,757	7,705	6,509	4,014	493,441	914,150	486,192	906,234
Other finance expenses		378,535	319,343	179,398	169,312	163,869	200,468	73,137	104,050
Profit before income tax		3,437,169	2,329,244	1,928,499	944,837	1,994,691	2,033,861	911,135	1,628,681
Income tax		271,178	305,394	127,395	115,923	129,345	202,453	54,606	167,839
NET PROFIT		3,165,991	2,023,850	1,801,104	828,914	1,865,346	1,831,408	856,529	1,460,842
Other comprehensive income:									
Exchange differences on translation of foreign operations		(301,783)	(65,298)	(280,393)	85,098	-	-	-	-
Cash flow hedges – effective portion of changes in fair value		83,735	(361,457)	28,193	(398,330)	53,615	(217,030)	189,450	(81,195)
Total comprehensive income, net of tax		2,947,943	1,597,095	1,548,904	515,682	1,918,961	1,614,378	1,045,979	1,379,647
Profit attributable to:									
The shareholders of the Company		3,128,077	1,990,608	1,771,298	813,825	1,865,346	1,831,408	856,529	1,460,842
Non-controlling interests		37,914	33,242	29,806	15,089	-	-	-	-
Total of attributable profit		3,165,991	2,023,850	1,801,104	828,914	1,865,346	1,831,408	856,529	1,460,842
Basic and diluted earnings per share		0.048	0.030	0.027	0.012	0.028	0.028	0.013	0.022
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)		10,613,812	7,888,388	5,599,309	3,773,780	5,383,109	4,535,978	2,425,790	2,465,364

15.3. Statement of changes in equity

The Group	Share capital	Share premium	Legal reserve	Own shares reserve	Hedging reserve	Foreign currency translation reserve	Non-controlling interest	Retained earnings	Total
31 December 2015	19,053,000	1,118,906	1,807,949	-	-	(1,925,635)	673,968	26,721,855	47,450,043
Net profit	-	-	-	-	-	-	33,242	1,990,608	2,023,850
Other comprehensive income (expenses)	-	-	-	-	(361,457)	(63,943)	(1,355)	-	(426,755)
Own shares reserve	-	-	-	1,000,000	-	-	-	(1,000,000)	-
Transfer to legal reserve	-	-	97,351	-	-	-	-	(97,351)	-
Dividends approved	-	-	-	-	-	-	(159,140)	(1,314,000)	(1,473,140)
30 June 2016	19,053,000	1,118,906	1,905,300	1,000,000	(361,457)	(1,989,578)	546,715	26,301,112	47,573,998
Net profit	-	-	-	-	-	-	31,833	2,428,807	2,460,640
Other comprehensive income (expenses)	-	-	-	-	136,828	(32,391)	(687)	-	103,750
31 December 2016	19,053,000	1,118,906	1,905,300	1,000,000	(224,629)	(2,021,969)	577,861	28,729,919	50,138,388
Net profit	-	-	-	-	-	-	37,914	3,128,077	3,165,991
Other comprehensive income (expenses)	-	-	-	-	83,735	(52,928)	(248,855)	-	(218,048)
Dividends approved	-	-	-	-	-	-	(44,974)	(2,628,000)	(2,672,974)
30 June 2017	19,053,000	1,118,906	1,905,300	1,000,000	(140,894)	(2,074,897)	321,946	29,229,996	50,413,357

EUR

The Company	Share capital	Share premium	Legal reserve	Own shares reserve	Hedging reserve	Retained earnings	Total
31 December 2015	19,053,000	1,118,906	1,807,949	-	-	15,261,790	37,241,645
Net profit	-	-	-	-	-	1,831,408	1,831,408
Other comprehensive income (expenses)	-	-	-	-	(217,030)	-	(217,030)
Own shares reserve	-	-	-	1,000,000	-	(1,000,000)	-
Transfer to legal reserve	-	-	97,351	-	-	(97,351)	-
Dividends approved	-	-	-	-	-	(1,314,000)	(1,314,000)
30 June 2016	19,053,000	1,118,906	1,905,300	1,000,000	(217,030)	14,681,847	37,542,023
Net profit	-	-	-	-	-	1,277,989	1,277,989
Other comprehensive income (expenses)	-	-	-	-	79,456	-	79,456
31 December 2016	19,053,000	1,118,906	1,905,300	1,000,000	(137,574)	15,959,836	38,899,468
Net profit	-	-	-	-	-	1,865,346	1,865,346
Other comprehensive income (expenses)	-	-	-	-	53,615	-	53,615
Dividends approved	-	-	-	-	-	(2,628,000)	(2,628,000)
30 June 2017	19,053,000	1,118,906	1,905,300	1,000,000	(83,959)	15,197,182	38,190,429

15.4. Statements of cash flows

	The Group		The Company	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
CASH FLOWS FROM (TO) OPERATING ACTIVITIES				
Profit before income tax	3,437,169	2,329,244	1,994,691	2,033,861
Adjustments for non-cash items				
Depreciation and amortisation net of grants	6,810,865	5,247,506	3,717,990	3,215,799
Elimination of finance (income) expenses	365,778	299,736	(329,572)	(713,682)
Loss (gain) on disposal and write-off of property, plant and equipment	(297,946)	(62,110)	(172,567)	(17,756)
Loss (profit) on disposal of emission rights	-	(284,800)	-	(142,400)
Property, plant and equipment impairment losses (reversal)	-	-	-	-
Allowance for doubtful accounts receivable (reversal)	-	(7,963)	-	(5,778)
TOTAL	10,315,866	7,521,613	5,210,542	4,370,044
Changes in working capital				
(Increase) decrease in trade and other receivables	(4,324,823)	(178,066)	(3,069,583)	(993,691)
(Increase) decrease in inventories	522,014	587,519	8,992	1,222,774
(Increase) decrease in other assets	(88,773)	(44,247)	(64,445)	(8,508)
Increase (decrease) in trade and other payables	1,959,142	834,152	3,055,043	706,112
TOTAL	(1,932,440)	1,199,358	(69,993)	926,687
Interest (paid)	(415,762)	(319,596)	(174,975)	(170,358)
Income tax received (paid)	(142,801)	(439,336)	(59,461)	(130,728)
Net cash flows from (to) operating activities	7,824,863	7,962,039	4,906,113	4,995,645
CASH FLOWS FROM (TO) INVESTING ACTIVITIES				
(Acquisition) of property, plant and equipment and intangible assets	(4,871,972)	(9,172,777)	(3,352,669)	(4,760,032)
Proceeds from sale of property, plant and equipment	331,104	83,398	175,626	38,000
Acquisition of shares	(248,221)	-	-	-
Grants and subsidies received	-	14,933	-	14,933
Proceeds from disposal of emission allowances	-	-	-	-
Dividends received	-	-	475,051	898,000
Loans repaid (granted) to related companies	-	-	-	-
Net cash flows (to) investing activities	(4,789,089)	(9,074,446)	(2,701,992)	(3,809,099)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES				
Dividends (paid)	(2,594,837)	(1,387,407)	(2,566,297)	(1,290,956)
Loans (repaid)	(5,097,238)	(3,581,398)	(2,575,738)	(1,901,888)
Proceeds from borrowings	1,032,571	4,840,580	1,032,571	2,538,151
Received (repaid) credit lines	3,794,322	1,201,397	2,051,296	(337,572)
Loans received from subsidiaries and related companies	-	-	-	-
Finance lease (payments)	(282,332)	(350,625)	(143,847)	(203,957)
Net cash flows from financing activities	(3,147,514)	722,547	(2,202,015)	(1,196,222)
Net increase (decrease) in cash and cash equivalents	(111,740)	(389,860)	2,106	(9,676)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	566,964	760,322	2,122	12,261
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	455,224	370,462	4,228	2,585

15.5. Basis of preparation

The financial statements of the Group and the Company are prepared in accordance with International Financial Reporting Standards effective as at 30 June 2017 that have been adopted for use in the European Union. These financial statements have been prepared on a historical cost basis, except of the financial instruments used for hedging, which are accounted at fair value.

Changes in accounting policies

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

15.6. Basis of consolidation

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

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

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

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

Business combinations and goodwill

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

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

Measurement and presentation currency

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

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

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

Investments in subsidiaries (the Company)

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

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	3 years
Other intangible assets	3–6 years

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

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

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

Property, plant and equipment

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

Before 31 December 2010, buildings were accounted as follows:

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

As at 31 December 2010, according to the exception available under IFRS 1, part of buildings, acquired before 1 January 1996, were measured at fair values, determined as at that date by independent property 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	5–15 years
Vehicles	4–8 years
Other equipment and other assets	4–6 years

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

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

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

Investment property

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

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

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

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. When actual emissions exceed allocated emission allowances, the obligation of purchasing additional allowances is recognized as a provision measured at the market value of the allowances as at the reporting date. 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.

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.

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.

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 profit or loss.

The Group and the Company do not have any financial instruments at fair value through profit or loss as at 30 June 2017.

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 profit or loss 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 30 June 2017.

Derivative financial instruments and hedge accounting

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

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

Cash flow hedges

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

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

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

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 profit or loss 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 – for measurement of impairment losses. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

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 profit or loss.

The Group and the Company do not have any available for sale financial assets as at 30 June 2017.

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.

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 profit or loss.

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.

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.

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.

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 profit or loss for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets cannot be depreciated over the period longer than lease term, unless the Group or the Company, according to the lease contract, gets transferred their ownership after the lease term is over.

Operating lease – the Group and the Company as lessee

Leases 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 profit or loss 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 profit or loss 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.

Non-current employee benefits

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

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

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in other comprehensive income as incurred.

Financial guarantee contracts

Financial guarantees provided for the liabilities of the 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.

Grants and subsidies

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

Grants 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.

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.

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 2016 was 18% (2015 – 18%).

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments and for the losses accumulated in the Ukrainian company (under the Ukrainian law, losses can be carried forward for 4 years). Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on 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 can cover not more than 70 percent of the taxable profit of a taxable period according to Lithuanian laws.

Deferred taxes are calculated using the 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.

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 profit or loss.

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

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 profit or loss. 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 profit or loss. 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. If any such indication exists, then the asset's recoverable amount is estimated. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of profit or loss as the impairment loss. An impairment loss of the goodwill is recognised in profit or loss.

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

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies, at the reporting date and within the next financial year. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation, amortisation, impairment of buildings, non-current employee benefits, impairment evaluation of goodwill, recognition of deferred income tax asset, and impairment evaluation of other assets. Future events may occur which will cause the assumptions used in arriving at the estimates to change. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are 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.

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.

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.

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.

15.7. Non-current assets

The Group	Buildings and constructions	Machinery and Equipment	Vehicles	Other assets	Construction in progress and prepayments	Total
Modified cost						
31 December 2016	39,861,863	102,845,241	1,907,637	2,169,902	10,251,390	157,036,033
Additions	-	61,958	111,366	87,565	1,327,634	1,588,523
Disposals	(183,870)	(2,104,923)	(64,223)	(75,624)	-	(2,428,640)
Transfers	17,210	7,921,648	-	26,538	(7,965,396)	-
Reclassifications	-	-	-	-	-	-
Rate of exchange influence	(28,206)	(20,908)	(1,299)	(1,703)	-	(52,116)
30 June 2017	39,666,997	108,703,016	1,953,481	2,206,678	3,613,628	156,143,800
Accumulated depreciation and impairment						
31 December 2016	9,344,931	50,977,330	1,126,245	1,638,230	-	63,086,736
Depreciation	1,590,629	5,273,437	117,531	138,446	-	7,120,043
Disposals	(183,871)	(2,103,136)	(34,504)	(73,971)	-	(2,395,482)
Transfers	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Rate of exchange influence	(15,796)	(17,921)	(531)	(1,440)	-	(35,688)
30 June 2017	10,735,893	54,129,710	1,208,741	1,701,265	-	67,775,609
Carrying amount						
31 December 2016	30,516,932	51,867,911	781,392	531,672	10,251,390	93,949,297
30 June 2017	28,931,104	54,573,306	744,740	505,413	3,613,628	88,368,191

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

On the 30th of June 2017, the part of the Group's property, plant and equipment with a carrying value of 66,322 thousand Euros (31 December 2016 – 69,829 thousand Euros) is pledged as a security for repayment of the loans granted by banks.

The Company	Buildings and constructions	Machinery and Equipment	Vehicles	Other assets	Construction in progress and prepayments	Total
Modified cost						
31 December 2016	17,829,560	57,614,657	578,364	1,271,351	10,237,811	87,531,743
Additions	-	7,897	10,275	58,162	1,167,385	1,243,719
Disposals	(15,060)	(1,999,701)	(18,430)	(28,675)	-	(2,061,866)
Transfers	-	7,823,087	-	-	(7,823,087)	-
30 June 2017	17,814,500	63,445,940	570,209	1,300,838	3,582,109	86,713,596
Accumulated depreciation and impairment						
31 December 2016	4,084,299	32,157,604	333,419	901,218	-	37,476,540
Depreciation	566,435	3,210,820	33,502	88,028	-	3,898,785
Disposals	(15,060)	(1,999,700)	(15,376)	(28,671)	-	(2,058,807)
Transfers	-	-	-	-	-	-
30 June 2017	4,635,674	33,368,724	351,545	960,575	-	39,316,518
Carrying amount						
31 December 2016	13,745,261	25,457,053	244,945	370,133	10,237,811	50,055,203
30 June 2017	13,178,826	30,077,216	218,664	340,263	3,582,109	47,397,078

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

On the 30th of June 2017, the part of the Company's property, plant and equipment with a carrying value of 31,531 thousand Euros (31 December 2016 – 32,109 thousand Euros) is pledged as a security for repayment of the loans granted by banks.

15.8. Investment property

Group / Company	Buildings and constructions	Total
Modified cost		
31 December 2016	1,048,424	1,048,424
Additions	-	-
Disposals	-	-
30 June 2017	1,048,424	1,048,424
Accumulated depreciation and impairment		
31 December 2016	244,023	244,023
Depreciation	15,291	15,291
Disposals	-	-
30 June 2017	259,314	259,314
Carrying amount		
31 December 2016	804,401	804,401
30 June 2017	789,110	789,110

15.9. Intangible assets

The Group	Land lease rights	Licenses, patents	Software	Prestige	Other assets and prepayments	Total
Cost						
31 December 2016	695,088	69,214	1,128,692	3,001,072	876,103	5,770,169
Additions	-	-	563	-	296,546	297,109
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Rate of exchange influence	-	-	(91)	-	-	(91)
30 June 2017	695,088	69,214	1,129,164	3,001,072	1,172,649	6,067,187
Accumulated amortization						
31 December 2016	102,976	43,983	990,876	-	688,734	1,826,569
Amortization	3,861	7,193	49,620	-	17,915	78,589
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Rate of exchange influence	-	-	(6)	-	-	(6)
30 June 2017	106,837	51,176	1,040,490	-	706,649	1,905,152
Carrying amount						
31 December 2016	592,112	25,231	137,816	3,001,072	187,369	3,943,600
30 June 2017	588,251	18,038	88,674	3,001,072	466,000	4,162,035

On the 30th of June 2017, the Group's land lease rights with a carrying value of 588 thousand Euros (31 December 2016 – 592 thousand Euros) are pledged as a security for repayment of the loan granted by banks.

The Company	Licenses and patents	Software	Other assets	Total
Cost				
31 December 2016	69,214	653,976	269,486	992,676
Additions	-	-	93,839	93,839
Disposals	-	-	-	-
Transfers	-	-	-	-
30 June 2017	69,214	653,976	363,325	1,086,515
Accumulated amortization				
31 December 2016	43,983	551,370	167,785	763,138
Amortization	7,193	34,822	17,807	59,822
Disposals	-	-	-	-
Transfers	-	-	-	-
30 June 2017	51,176	586,192	185,592	822,960
Carrying amount				
31 December 2016	25,231	102,606	101,701	229,538
30 June 2017	18,038	67,784	177,733	263,555

15.10. Investments into subsidiaries

	The Company	
	30.06.2017	31.12.2016
Grigeo Baltwood UAB	4,655,466	4,655,466
Grigeo investicijų valdymas UAB	3,806,743	3,806,743
Grigeo Packaging UAB	2,896	2,896
Grigiškių energija UAB	2,896	2,896
Total investments in subsidiaries	8,468,001	8,468,001

15.11. Account receivables

	The Group		The Company	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Trades receivable	16,101,370	11,777,250	10,601,010	7,686,604
Other receivable	408,814	435,311	194,237	57,042
	16,510,184	12,212,561	10,795,247	7,743,646
Less: allowance for doubtful amounts receivable	(209,027)	(209,027)	(57,266)	(57,266)
Total amounts receivable within one year:	16,301,157	12,003,534	10,737,981	7,686,380

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

The movement for 2017 in the allowance for doubtful amounts receivable consisted of the following, EUR:

	The Group		The Company	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
On the 1st of January	209,027	226,208	57,266	50,231
Change for the year	-	12,813	-	12,813
Reversed during the year	-	(24,216)	-	-
Receivables written off as uncollectible	-	(5,778)	-	(5,778)
Rate of exchange influence	-	-	-	-
At the end of the period	209,027	209,027	57,266	57,266

15.12. Cash and cash equivalents

	The Group		The Company	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Cash at bank	455,163	566,924	4,228	2,122
Cash on hand	61	40	-	-
Total	455,224	566,964	4,228	2,122

15.13. Inventories

	The Group		The Company	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Materials	3,888,680	4,105,175	1,529,963	1,557,101
Work in progress	1,308,129	1,138,351	739,611	529,320
Finished goods	3,009,217	3,497,397	1,348,158	1,521,265
Goods in transit	18,265	64,992	-	19,570
Prepayments	270,194	210,584	13,532	13,000
	8,494,485	9,016,499	3,631,264	3,640,256
Less: write-down to net realizable value	(208,844)	(208,844)	(203,718)	(203,718)
Total	8,285,641	8,807,655	3,427,546	3,436,538

On the 30th of June 2017, the Group's and the Company's inventories with carrying amount of 4,325 thousand Euros and 1,158 thousand Euros respectively are pledged as a security for the loan granted by the bank (31 December 2016 – the Group's and the Company's inventories were pledged respectively 4,691 thousand Euros and 1,158 thousand Euros).

15.14. Share capital and legal reserve

On the 30th of June 2017 share capital consisted of 65,700,000 ordinary shares at a par value of EUR 0.29 each. All shares were fully paid.

On the 30th of June 2017 shareholders of the Company were as follows:

	Number of shares	Proportion of ownership, %
Lithuanian legal entities	31,323,659	47.7
Lithuanian individuals	30,294,978	46.1
Foreign legal entities	2,739,730	4.2
Foreign individuals	1,341,633	2.0
Total	65,700,000	100.0

On the 30th of June 2017 shareholders of the Company (by country) were as follows:

	Number of shares	Proportion of ownership, %
Lithuania	61,618,637	93.8
Estonia	1,937,973	2.9
Sweden	1,199,669	1.8
Other countries	943,721	1.5
Total	65,700,000	100.0

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

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

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

15.15. Non-current and current borrowings

	The Group		The Company	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
The loans and mortgages are repayable as follows:				
Within one year	11,639,991	17,491,968	4,751,976	9,825,479
In the second year	19,911,172	12,956,618	12,031,499	7,389,961
In the third to fifth years inclusive	13,128,773	14,501,695	3,473,684	2,533,590
	44,679,936	44,950,281	20,257,159	19,749,030
Less: amount due for settlement within one year	(11,639,991)	(17,491,968)	(4,751,976)	(9,825,479)
Amount due for settlement after one year	33,039,945	27,458,313	15,505,183	9,923,551

15.16. Trade and other payables

	The Group		The Company	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Trade payables	16,699,192	18,257,849	9,992,405	9,275,669
Taxes, salaries and social insurance payable	2,539,045	1,948,504	1,278,114	860,654
Advances received	112,856	159,829	34,287	39,610
Other payables	887,296	844,691	280,635	380,630
Total	20,238,389	21,210,873	11,585,441	10,556,563

15.17. Other operating income

	The Group		The Company	
	01.01.2017-30.06.2017	01.01.2016-30.06.2016	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Income from disposal of emission rights	-	284,800	-	142,400
Rent income	19,995	41,594	15,608	35,835
Gain from disposal of fixed assets	301,957	62,261	172,571	17,756
Scrap metal recognition	32,409	69,578	12,484	9,409
Insurance compensation	50,712	13,557	9,431	6,862
Other income	99,260	52,481	282,336	56,469
Total	504,333	524,271	492,430	268,731

15.18. Other operating expenses

	The Group		The Company	
	01.01.2017-30.06.2017	01.01.2016-30.06.2016	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Rent expenses	-	324	1,427	951
Insurance expenses	14,756	37,006	5,089	7,328
Other expenses	149,552	1,957	264,487	71,719
Total	164,308	39,287	271,003	79,998

15.19. *Off balance articles*

Emission rights movement for the six months of 2017

	Amount, pcs.	
	The Group	The Company
31 December 2016	(7,830)	(8,790)
Emission rights allocated	56,924	33,589
Purchase of emission rights	-	-
Emission rights used	(9,895)	(3,446)
Sale of emission rights	-	-
30 June 2017	39,199	21,353

15.20. *Court and arbitration proceedings*

Over the six months of 2017 the Group and the Company were not involved in court or arbitration proceedings which would have a material impact on the financial position of Grigeo AB.