AKCINĖ BENDROVĖ
GRIGIŠKĖS

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

Bank of Lithuania
Supervisory Authority
Žirmūnų str. 151,
LT-09128 Vilnius
Lithuania

11 .04.2012 No 026-SK/2012-290

CONFIRMATION OF RESPONSIBLE PERSONS

Pursuing Part 2 of Article 21 of the Law on Securities of the Republic of Lithuania, and rules prepared by the Lithuanian Securities Commission for preparation and announcement of periodical and supplementary information, we, the undersigned – General Director Gintautas Pangonis and Director of Finance Department Nina Šilerienė approve that the audited financial statements of Grigiskes AB for the year 2011, as made in compliance with applicable accounting standards, are true, correctly reflect issuer's and aggregate consolidated companies' assets, liabilities, financial standing, profit or loss and cash flows, and also that the audited consolidated annual report for the year 2011 shows fair business environment as well as descriptions of the company's performance and principal risks and uncertainties faced by consolidated companies.

ENCLOSURE: Audited consolidated financial report of Grigiskes AB for the year 2011, also audited consolidated annual report of Grigiskes AB for the year 2011 and the company's disclosure of compliance with the Governance Code of companies whose securities are traded on a regular market.

General Director Gintautas Pangonis

Director of Finance Department Nina Šilerienė

AB Grigiškės

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011,
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Ernst & Young

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PVM mokėtojo kodas LT108784411
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Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditor's report to the shareholders of AB Grigiškės

Report on the Financial Statements

We have audited the accompanying financial statements of AB Grigiškės, a public limited liability company registered in the Republic of Lithuania (hereinafter "the Company"), and the consolidated financial statements of AB Grigiškės and subsidiaries (hereinafter the Group), which comprise the statements of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As further discussed in Note 2.1 to the accompanying financial statements, the Company and the Group applied the IFRS 1 "First-time Adoption of International Financial Reporting Standards" exemption for the valuation of certain buildings and structures at deemed cost, except that the date of transition has been established at the 31 December 2010, and not at 1 January 2009 as would be required by IFRS 1. We are unable to determine the historical cost values or the fair values (as deemed cost) of non-current assets with a carrying value of LTL 13,050 thousand as of 1 January 2009 and LTL 11,742 thousand as of 31 December 2009 and the effect this would have on the Group's and the Company's equity as of 31 December 2009 and the statement of comprehensive income for the year 2010. Our audit opinion on the Group's and the Company's financial statements for the period ended 31 December 2010 was qualified accordingly. Our opinion on the Group's and the Company's current period's financial statements is also qualified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.

ERNST & YOUNG

Qualified Opinion

In our opinion, except for the possible effect on the comparative information of the matter described in *Basis for Qualified Opinion* paragraph above, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2011 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying consolidated Management Report for the year ended 31 December 2011 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2011.

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

Asta Štreimikienė
Auditor's licence
No. 000382

The audit was completed on 11 April 2012.

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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STATEMENTS OF FINANCIAL POSITION

		Group		Company	
	Notes	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
ASSETS					
Non-current assets					
Property, plant and equipment	5	172,578,689	165,998,075	86,295,419	96,644,280
Investment property	7	4,722,791	4,949,000	4,722,791	4,949,000
Intangible assets	6	14,670,357	12,771,370	218,649	129,213
Investments into subsidiaries	1	-	-	37,950,923	5,358,923
Non-current receivables	8	51,298	61,847	1,701,303	13,347,028
Total non-current assets		**192,023,135**	**183,780,292**	**130,889,085**	**120,428,444**
Current assets					
Inventories	9	24,538,379	19,623,910	5,580,809	9,960,609
Accounts receivable	10	30,452,543	32,357,453	14,029,967	18,038,094
Other assets		1,046,261	1,513,830	365,015	482,562
Cash and cash equivalents	11	2,134,809	1,378,635	71,238	361,192
Total current assets		**58,171,992**	**54,873,828**	**20,047,029**	**28,842,457**
TOTAL ASSETS		**250,195,127**	**238,654,120**	**150,936,114**	**149,270,901**

(cont'd on the next page)

STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Notes	Group		Company	
		As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
EQUITY AND LIABILITIES					
Equity					
Share capital	12	60,000,000	60,000,000	60,000,000	60,000,000
Legal reserve	12	4,221,919	4,145,934	4,221,919	4,145,934
Foreign currency translation reserve	12	(59,777)	(53,388)	-	-
Retained earnings		31,356,702	20,273,624	28,221,313	15,962,278
Equity attributable to equity holders of the parent		95,518,844	84,366,170	92,443,232	80,108,212
Non-controlling interests		2,977,858	2,822,509	-	-
Total equity		**98,496,702**	**87,188,679**	**92,443,232**	**80,108,212**
Liabilities					
Non-current liabilities					
Grants and subsidies	14	8,732,291	8,410,520	8,732,291	8,410,520
Non-current borrowings	15	69,533,156	63,098,888	16,249,993	11,147,580
Financial lease obligations	16	4,052,409	7,156,940	3,626,050	6,813,065
Deferred income tax liability	25	1,790,088	3,927,139	417,613	2,052,891
Non-current employee benefits	17	789,363	730,067	170,095	370,053
Total non-current liabilities		**84,897,307**	**83,323,554**	**29,196,042**	**28,794,109**
Current liabilities					
Current borrowings	15	20,160,668	22,724,791	9,637,793	11,789,141
Current portion of financial lease obligations	16	3,752,086	4,242,460	2,936,417	3,787,762
Income tax payable		130,781	120,376	82,688	3,572
Trade and other payables	18	42,757,583	41,054,260	16,639,942	24,788,105
Total current liabilities		**66,801,118**	**68,141,887**	**29,296,840**	**40,368,580**
TOTAL EQUITY AND LIABILITIES		**250,195,127**	**238,654,120**	**150,936,114**	**149,270,901**

The accompanying notes are an integral part of these financial statements.
The financial statements were approved by the management on 11 April 2012 and signed on its behalf by:

Gintautas Pangonis General Director	Nina Šilerienė Finance Director

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group		Company	
		2011	2010	2011	2010
Revenue	19	307,677,661	245,785,467	159,277,539	129,742,468
Continuing operations		-	-	*99,607,709*	*80,522,466*
Discontinued operations	*1*	-	-	*59,669,830*	*49,220,002*
Cost of sales	19	(267,046,878)	(213,055,227)	(136,304,010)	(115,663,202)
Continuing operations		-	-	*(86,172,545)*	*(68,758,960)*
Discontinued operations	*1*	-	-	*(50,131,465)*	*(46,904,242)*
Gross profit		**40,630,783**	**32,730,240**	**22,973,529**	**14,079,266**
Other operating income	20	3,996,924	4,545,526	3,894,372	4,330,109
Continuing operations		-	-	*3,894,372*	*4,330,109*
Selling and distribution expenses	22	(13,504,717)	(10,756,558)	(10,984,819)	(9,025,765)
Continuing operations		-	-	*(6,527,456)*	*(5,563,813)*
Discontinued operations	*1*	-	-	*(4,457,363)*	*(3,461,952)*
General and administrative expenses	23	(11,586,579)	(11,129,268)	(6,598,517)	(6,844,537)
Continuing operations		-	-	*(5,216,943)*	*(5,651,907)*
Discontinued operations	*1*	-	-	*(1,381,574)*	*(1,192,630)*
Other operating expenses	21	(252,342)	(430,472)	(231,525)	(150,924)
Continuing operations		-	-	*(231,525)*	*(150,924)*
Profit from operations		**19,284,069**	**14,959,468**	**9,053,040**	**2,388,149**
Finance income	24	155,757	3,857	5,843,585	121,508
Continuing operations		-	-	*3,627*	*121,508*
Discontinued operations	*1*	-	-	*5,839,958*	-
Finance expenses	24	(7,375,881)	(6,309,187)	(1,408,967)	(902,256)
Continuing operations		-	-	*(929,430)*	*(558,562)*
Discontinued operations	*1*	-	-	*(479,537)*	*(343,694)*
Profit before income tax		**12,063,945**	**8,654,138**	**13,487,658**	**1,607,401**
Income tax	25	720,311	(1,111,856)	47,362	(87,692)
Continuing operations		-	-	*47,362*	*(87,692)*
NET PROFIT		**12,784,256**	**7,542,282**	**13,535,020**	**1,519,709**
Continuing operations		-	-	*4,475,171*	*4,202,225*
Discontinued operations	*1*	-	-	*9,059,849*	*(2,682,516)*
Other comprehensive income					
Exchange differences on translation of foreign operations		(6,389)	(53,388)	-	-
Total comprehensive income for the year, net of tax		**12,777,867**	**7,488,894**	**13,535,020**	**1,519,709**
Profit attributable to:					
The shareholders of the Company		12,654,614	7,200,526	13,535,020	1,519,709
Non-controlling interests		129,642	341,756	-	-
		12,784,256	**7,542,282**	**13,535,020**	**1,519,709**
Total comprehensive income attributable to:					
The shareholders of the Company		12,648,225	7,147,138	13,535,020	1,519,709
Non-controlling interests		129,642	341,756	-	-
		12,777,867	**7,488,894**	**13,535,020**	**1,519,709**
Basic and diluted earnings per share	26	0.21	0.12		

The accompanying notes are an integral part of these financial statements.
The financial statements were approved by the management on 11 April 2012 and signed on its behalf by:

Gintautas Pangonis
General Director

Nina Šilerienė
Finance Director

STATEMENTS OF CHANGES IN EQUITY

Group

	Equity attributable to equity holders of the parent						
	Share capital	**Legal reserve**	**Foreign currency translation reserve**	**Retained earnings**	**TOTAL:**	**Non-controlling interest**	**Total equity:**
Balance as at 31 December 2009	**60,000,000**	**3,995,665**	**-**	**3,332,980**	**67,328,645**	**-**	**67,328,645**
Net profit for the year	-	-	-	7,200,526	7,200,526	341,756	**7,542,282**
Other comprehensive income (expenses)	-	-	(53,388)	-	(53,388)	-	**(53,388)**
Total comprehensive income (expense) for the year	-	-	(53,388)	7,200,526	7,147,138	341,756	**7,488,894**
Transfer to legal reserve	-	150,269	-	(150,269)	-	-	**-**
Impact of IFRS 1 adoption (Note 3)	-	-	-	11,090,387	11,090,387	-	**11,090,387**
Dividends declared (Note 27)	-	-	-	(1,200,000)	(1,200,000)	-	**(1,200,000)**
Acquisition of new subsidiaries (Note 6)	-	-	-	-	-	2,480,753	**2480,753**
Balance as at 31 December 2010	**60,000,000**	**4,145,934**	**(53,388)**	**20,273,624**	**84,366,170**	**2,822,509**	**87,188,679**
Net profit for the year	-	-	-	12,654,614	12,654,614	129,642	**12,784,256**
Other comprehensive income (expenses)	-	-	(6,389)	-	(6,389)	-	**(6,389)**
Total comprehensive income (expenses) for the year	-	-	(6,389)	12,654,614	12,648,225	129,642	**12,777,867**
Transfer to legal reserve	-	75,985	-	(75,985)	-	-	**-**
Dividends declared (Note 27)	-	-	-	(1,200,000)	(1,200,000)	(269,844)	**(1,469,844)**
Disposal of controlling interests (Note 1)	-	-	-	(295,551)	(295,551)	295,551	**-**
Balance as at 31 December 2011	**60,000,000**	**4,221,919**	**(59,777)**	**31,356,702**	**95,518,844**	**2,977,858**	**98,496,702**

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STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Company	**Share capital**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Total equity:**
Balance as at 31 December 2009	**60,000,000**	**3,995,665**	-	**4,702,451**	**68,698,116**
Net profit for the year	-	-	-	1,519,709	**1,519,709**
Other comprehensive income (expenses)	-	-	-	-	-
Total comprehensive income (expense) for the year	-	-	-	1,519,709	**1,519,709**
Impact of IFRS 1 adoption (Note 3)	-	-	-	11,090,387	**11,090,387**
Dividends declared (Note 27)	-	-	-	(1,200,000)	**(1,200,000)**
Transfer to legal reserve	-	150,269		(150,269)	-
Balance as at 31 December 2010	**60,000,000**	**4,145,934**	-	**15,962,278**	**80,108,212**
Net profit for the year	-	-	-	13,535,020	**13,535,020**
Other comprehensive income (expenses)	-	-	-	-	-
Total comprehensive income (expense) for the year	-	-	-	13,535,020	**13,535,020**
Dividends declared (Note 27)	-	-	-	(1,200,000)	**(1,200,000)**
Transfer to legal reserve	-	75,985	-	(75,985)	-
Balance as at 31 December 2011	**60,000,000**	**4,221,919**	-	**28,221,313**	**92,443,232**

The accompanying notes are an integral part of these financial statements.
The financial statements were approved by the management on 11 April 2012 and signed on its behalf by:

Gintautas Pangonis
General Director

Nina Šilerienė
Finance Director

STATEMENTS OF CASH FLOWS

	Notes	Group 2011	Group 2010	Company 2011	Company 2010
Cash flows from (to) operating activities					
Profit before income tax		12,063,945	8,654,138	13,487,658	1,607,401
Adjustments for non-cash items:					
Depreciation and amortisation net of grant		21,508,136	20,665,974	13,454,114	13,738,038
Finance (income) expenses, net	1,24	7,220,124	6,305,330	(4,434,618)	780,748
Loss (gain) on disposal of property, plant and equipment		(110,479)	(28,945)	(110,479)	13,925
Allowance (reversal) for slow moving inventory, write-off to net realizable value	9	573,362	(59,969)	(95,231)	(79,969)
Property, plant and equipment impairment losses (reversal)		(84,247)	-	(84,247)	-
Allowance for doubtful accounts receivable (reversal)	10	(67,849)	120,959	(401,231)	(1,691)
		41,102,992	35,657,487	21,815,966	16,058,452
Changes in working capital:					
(Increase) decrease in trade receivables and other receivables		1,983,308	(6,874,882)	623,470	(1,072,687)
(Increase) decrease in inventories		(5,487,831)	(4,028,409)	(121,972)	(892,193)
(Increase) decrease in other assets		467,569	(542,196)	109,405	48,329
Increase (decrease) in trade and other payables		1,068,671	8,904,986	(4,083,606)	10,474,098
		(1,968,283)	(2,540,501)	(3,472,703)	8,557,547
Interest (paid)		(3,136,315)	(3,331,828)	(1,265,123)	(859,236)
Income tax (paid)		(2,100,729)	(1,471,673)	(204,650)	-
Net cash flows from (to) operating activities		**33,897,665**	**28,313,485**	**16,873,490**	**23,756,763**

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STATEMENTS OF CASH FLOWS (CONT'D)

		Group		Company	
	Notes	2011	2010	2011	2010
Cash flows from (to) investing activities					
(Acquisition) of non-current assets	5, 6	(29,757,180)	(20,484,979)	(25,021,841)	(18,025,618)
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)		-	2,347,079	(5,000)	(343,923)
Proceeds from sale of non-current assets		200,895	37,898	200,895	37,898
Grants and subsidies received	14	948,295	8,043,997	948,295	8,043,997
Interest received		3,612	1,475	3,611	119,125
Loans (granted)		-	-	-	(13,017,031)
Net cash flows (to) investing activities		**(28,604,378)**	**(10,054,530)**	**(23,874,040)**	**(22,841,629)**
Cash flows from (to) financing activities					
Dividends (paid)		(1,469,844)	(997,809)	(1,200,000)	(997,809)
Loans (repaid)		(18,738,269)	(21,096,310)	(8,661,095)	(4,627,975)
Proceeds from borrowings		20,191,269	10,420,729	19,991,269	10,420,729
Finance lease (payments)		(4,520,269)	(5,668,532)	(3,419,578)	(5,163,545)
Net cash flows (to) financial activities		**(4,537,113)**	**(17,341,922)**	**6,710,596**	**(368,600)**
Net increase in cash and cash equivalents		**756,174**	**917,034**	**(289,954)**	**202,611**
Cash and cash equivalents at the beginning of the year		**1,378,635**	**461,601**	**361,192**	**158,581**
Cash and cash equivalents at the end of the year		**2,134,809**	**1,378,635**	**71,238**	**361,192**
Supplemental information of cash flows:					
Non-cash investing activity:					
Property, plant and equipment acquisitions financed by financial lease		847,513	139,373	403,054	38,185
Payable for the property, plant and equipment outstanding as at year end		2,663,900	2,223,741	2,455,103	2,223,741

The accompanying notes are an integral part of these financial statements.
The financial statements were approved by the management on 11 April 2012 and signed on its behalf by:

Gintautas Pangonis
General Director

Nina Šilerienė
Finance Director

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

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

Structure of the Group

On 31 December 2011 and on 31 December 2010 AB Grigiškės group consists of AB Grigiškės and the following subsidiaries (hereinafter referred to as „the Group"):

	2011				2010			
Name	Share of the stock held by the Group	Size of investment (cost)	Profit (loss) for the reporting period	Equity at the end of reporting period (100 %)	Share of the stock held by the Group	Size of investment (cost)	Address	Principal activity
Subsidiaries directly controlled by the Company:								
UAB Baltwood	100%	27,592,000	(542,703)	3,495,960	100%	5,005,000	Vilniaus Str. 10, Grigiškės, Vilniaus Mun., Lithuania	Wood processing: production of container wood, fuel granules and bonded furniture panels
UAB Ekotara	100%	10,000	-	10,004	100%	10,000	Vilniaus Str. 10, Grigiškės, Vilniaus Mun., Lithuania	Manufacturing of corrugated board, packing from corrugated board. No operations in 2011 and 2010.
UAB Naujieji Verkiai	100%	-	5,921	(68,047)	100%	-	Popieriaus Str. 15, Vilnius, Lithuania	Building and development of real estate. No operations in 2010, operations started in 2011.
UAB AGR Prekyba	100%	10,343,923	5,226,320	14,329,383	100%	343,923	Vilniaus Str. 10, Grigiškės, Vilniaus Mun., Lithuania	Investment activities and corporate governance
UAB Grigiškių energija	50%	5,000	(1,583)	8,417	-	-	Vilniaus Str. 14, Grigiškės, Vilniaus Mun., Lithuania	Heat production and sale. No operations in 2011.
		37,950,923				5,358,923		
Subsidiaries indirectly controlled by the Company:								
AB Klaipėdos Kartonas	95.78 %	-	5,510,547	50,084,296	97.96%	-	Nemuno Str. 2, Klaipėda, Lithuania	Manufacturing of raw materials for production of corrugated board – test liner and fluting, production of paper honeycomb used in furniture industry.
UAB Klaipėda Recycling	71.74 %	-	42,739	142,739	97.96%	-	Nemuno Str 2, Klaipėda, Lithuania	Waste-paper procurement. No operations in 2010, operations started in 2011.
OAO Mena Pak	93.79 %	-	(426,228)	(2,636,163)	82.01%	-	Koshevovo Str. 6, Chernigovo dstr., Mena, Ukraine	Manufacturing of corrugated board, packing from corrugated board.

1. General information (cont'd)

Changes in the Group in 2011

In 2011 AB Grigiškės established a subsidiary UAB Grigiškių energija half of which was sold to third parties in the same year. The Company retained control over subsidiary as the management of the subsidiary was assigned by the Company. The company did not perform any operations in 2011.

In order to increase efficiency of manufacturing processes of the Company, to optimize the acquisition of raw materials, production supplies, production and logistics processes, to reduce costs and increase profitability of business segments, on the 1 December 2011 the Board of AB Grigiškės decided to transfer one of segments of AB Grigiškės activities – the production of wood fibre board – to 100% owned subsidiary UAB Baltwood, in exchange for newly issued shares of the subsidiary.

Along with the activity transferred AB Grigiškės passed the property, rights and obligations relating to processing of the wood fibre boards, including but not limited to, real estate and equipment needed the activities to conduct, commitment to employees and other rights and obligations arising from existing agreements.

After the transfer of a part of activities of AB Grigiškės both of mentioned companies will continue to operate at the same address as before the transfer – at Vilniaus str. 10, Grigiškės, Vilnius. The main activity of AB Grigiškės will remain production of tissue paper products and corrugated cardboard packaging production and UAB Baltwood will focus on activities related to wood processing, here will continue to work skilled workers which were employed in AB Grigiškės in activity transferred.

The Board of AB Grigiškės believes that the fact of transferring of the part of activities of AB Grigiškės will not have significant impact on financial indicators of the Group of AB Grigiškės. However, it will help to optimize the management of Group's activities, which is likely to result in a higher profitability of activities and return to shareholders.

Implementing the decision of 1 December, 2011 of the Board of AB Grigiškės to transfer one of segments of AB Grigiškės activities – the production of wood fibre board – to 100% owned subsidiary UAB Baltwood, in exchange for newly issued shares of the company, on 31 December, 2011 AB Grigiškės and UAB Baltwood signed an agreement of transferring of the part of activities. Transfer date for activities is 31 December 2011.

The value of Company's net assets related to activities transferred was equal to LTL 16,747 thousand, value of subsidiary's shares received was equal to LTL 22,587 thousand. The difference of LTL 5,840 thousand between net assets and shares received was accounted as financial income of the Company (included into table below). The effect of activities transfer was eliminated at the Group level.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* was applied for accounting for transferred activities.

The results of transferred activity to subsidiary UAB Baltwood are presented below:

	2011	**2010**
Revenue	59,669,830	49,220,002
Cost of sales	(50,131,465)	(46,904,242)
Gross profit	**9,538,365**	**2,315,760**
Selling expenses	(4,457,363)	(3,461,952)
General and administrative expenses	(1,381,574)	(1,192,630)
Finance income	5,839,958	-
Finance expenses	(479,537)	(343,694)
Profit (loss) for the year from discontinued operations	**9,059,849**	**(2,682,516)**

Income and deferred taxes charged on discontinued operations were not significant for 2011 and 2010.

1. General information (cont'd)

The net cash flows of the transferred activities are the following:

	2011	2010
Operating	7,910,457	1,587,557
Investing	(4,614,050)	(16,261,146)
Financing	(479,537)	(343,694)
Net cash inflow (outflow)	**2,816,870**	**(15,017,283)**

The net assets of transferred activity to subsidiary UAB Baltwood are presented below:

	Carrying value
Property, plant and equipment	21,326,702
Intangible assets	1,729,992
Inventories	4,977,946
Trade receivables	4,057,203
Other assets	1,382,552
Total assets	**33,474,395**
Borrowings	9,664,242
Deferred income tax liability	979,791
Trade payables	3,932,926
Other liabilities	2,150,394
Total liabilities	**16,727,353**
Total net assets	**16,747,042**

<u>Changes in the Group in 2010</u>

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

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

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

More detailed information on the subsidiaries acquired in 2010 is presented in Note 6.

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

During November 2010 there was an internal reorganisation within the Group, as a result, UAB Avesko was merged with AB Klaipėdos Kartonas. On 16 December 2010 UAB Avesko was removed from the Register of Legal Entities, whereas all the rights and obligations were taken over by AB Klaipėdos Kartonas. Furthermore, share capital of AB Klaipėdos Kartonas was increased by issuing new share emission. During the reorganisation AB Klaipėdos Kartonas acquired its own shares and decreased its share capital by the amount of acquired shares in 2011. Changed bylaws of AB Klaipėdos Kartonas were registered as of 15 July 2011 and resulted in disposal of controlling interest at the Group level.

1. General information (cont'd)

As at 31 December 2011 the number of employees of the Group was 997 (as at 31 December 2010 – 940). As at 31 December 2011 the number of employees of the Company was 283 (as at 31 December 2010 – 448).

The Company's management authorised these financial statements on 11 April 2012. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. Accounting policies

2.1. Basis of preparation

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

IFRS 1 requires that an entity's first IFRS financial statements are the first annual financial statements in which the entity adopts all IFRS, by an explicit and unreserved statement in those financial statements of compliance with IFRS. IFRS 1 requires the Company to prepare its IFRS financial statements as if it is a first-time adopter as the Company's financial statements in prior years by substance did not have an explicit and unreserved statement of compliance with IFRS, due to the inclusion of indexations of buildings, which did not meet the requirements of IAS 16 "Property, Plant and Equipment" (see section 2.8 below).

The current year financial statements of the Group and the Company with an exception of above mentioned discrepancy in comparative information, are prepared in accordance with International Financial Reporting Standards effective as of 31 December 2011 that have been adopted for use in European Union.

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

Adoption of new and/or changed IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The Group and the Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IAS 24 Related Party Disclosures (Amended)
- IAS 32 Classification on Rights Issues (Amended)
- Improvements to IFRSs (May 2010)

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Except for what is written below, new and / or changed standards and their interpretations did not have any impact on the Group and the Company:

IAS 24 Related Party Transactions (Amendment)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The amendment is applied retrospectively. The effect of this amendment is evaluated in Note 28.

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendment resulted in changes to accounting policies, but no impact on the financial position or performance of the Group and the Company:

IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. In the future the Group and the Company will amend the accounting policy when the component of other comprehensive income will appear.

Other amendments resulting from Improvements to IFRSs to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Group and the Company:

- IFRS 1 First-time adoption
- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments - Disclosures
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Reporting
- IFRIC 13 Customer Loyalty Programmes

<u>Standards issued but not yet effective</u>

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

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**
  The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

- **IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets**
  The amendment is effective for annual periods beginning on or after 1 January 2012.The amendment provides a practical solution to the problem of determining whether an entity that is measuring deferred tax related to investment property, measured using the fair value model, expects to recover the carrying amount of the investment property through use or sale by introducing a presumption that recovery of the carrying amount will normally be through sale. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

- **IAS 19 Employee Benefits (Amended)**
The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

- **IAS 27 Separate Financial Statements (Revised)**
The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The Company is in the process of assessing the impact of this amendment on the financial position or performance of the Company.

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The standard will not affect the Group's and Company's financial statements because the Group and the Company has no such investments.

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
The amendment is effective for annual periods beginning on or after 1 January 2014.This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements**
The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
The amendment is effective for annual periods beginning on or after 1 January 2013.The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. This amendment has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group and the Company.

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

- **IFRS 9 Financial Instruments - Classification and Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities at fair value trough profit or loss. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application is permitted. This standard has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of the new standard on the financial position or performance of the Group and the Company.

- **IFRS 10 Consolidated Financial Statements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.This standard has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of the new standard on the financial position or performance of the Group and the Company.

- **IFRS 11 Joint Arrangements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard has not yet been endorsed by the EU. This standard will not affect the Group's and the Company's financial statements because the Group and the Company has no share in joint arrangement entities.

- **IFRS 12 Disclosures of Involvement with Other Entities**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of the new standard on the financial position or performance of the Group and the Company.

- **IFRS 13 Fair Value Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. This standard has not yet been endorsed by the EU. The Group and the Company is in the process of assessing the impact of the new standard on the financial position or performance of the Group and the Company.

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

- **IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine**
  The interpretation is effective for annual periods beginning on or after 1 January 2013.This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (striping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. IFRIC 20 has not yet been endorsed by the EU. Interpretation will not have impact on the Group's and Company's financial statements, as the Group and the Company are not involved in the mining activity.

All the above mentioned new IFRSs and IFRICs and their amendments will be adopted on the date they become effective and endorsed by the EU.

2.2. Going concern

These financial statements for the year ended 31 December 2011 are prepared under the assumption that the Group and the Company will continue as a going concern. The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. As of 31 December 2011 current liabilities of the Group and the Company exceeded its current assets by LTL 8,629 thousand and LTL 9,250 thousand respectively.

The management's plans to resolve the liquidity situation are related to further improvement of operational performance of the Group and the Company and rescheduling repayment terms of current liabilities.

The Company has prepared a forecast of the Group's operations for 2012 which allow the management to be confident about the Group's improved operational performance.

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

2.3. Basis of consolidation

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

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

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

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

2. Accounting policies (cont'd)

2.4. Business combinations and goodwill

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units (refer to note 2.23 Impairment of non-financial assets).

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

2.5. Measurement and presentation currency

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

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

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

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

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

2. Accounting policies (cont'd)

2.6. Investments in subsidiaries (the Company)

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

As described in Note 1, at the end of the year the Company transferred a segment of its operations to one of its 100% subsidiaries. From the point of view of separate financial statements of AB Grigiskės this is in kind contribution transaction to the existing subsidiary. There is no guidance under IFRS on how to account for business contributions by the parent in its separate financial statements.

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

2.7. Intangible assets other than goodwill

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

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

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

Land lease right	90 years
Licenses, patents and etc.	3 years
Software	1 – 3 years
Other intangible assets	3 – 4 years

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

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

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

2.8. Property, plant and equipment

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

Till 31 December 2010, buildings were accounted as follows:

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

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 of that date by independent property valuator, and these values were used as deemed cost at that date (Note 3). Valuation of assets was performed using two methods: market comparables and depreciated replacement value (cost) method (see below).

After 31 December 2011 all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

2. Accounting policies (cont'd)

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

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

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

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

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

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

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

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

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

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

2. Accounting policies (cont'd)

2.9. Investment property

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

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

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

2.10. Emission rights

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

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

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

The Company and the Group apply a net liability approach in accounting for the emission rights received. It records the emission allowances granted to it at a nominal (nil) amount. Liabilities for emissions are recognised only as emissions are made (provisions are never made on the basis of the expected future emissions) and only when the reporting entity has made emissions in excess of the rights held. The Company and the Group have chosen a system that measures deficits on the basis of an annual allocation of emission rights.

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

2. Accounting policies (cont'd)

2.11. Financial assets

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

Financial assets at fair value through profit or loss

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

The Group and the Company does not have any financial instruments at fair value through profit or loss as at 31 December 2011 and 2010.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group / the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

The Group and the Company does not have any held-to-maturity investments as at 31 December 2011 and 2010.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account – refer to Note 2.23 for measurement of impairment losses. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

Available-for-sale financial assets

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

The Group and the Company does not have any available for sale financial assets as at 31 December 2011 and 2010.

2.12. Offsetting financial assets and financial liabilities

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

2. Accounting policies (cont'd)

2.13. Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group / the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group / the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.14. Inventories

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost of inventory is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written-off.

2.15. Cash and cash equivalents

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

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

2. Accounting policies (cont'd)

2.16. Borrowings

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

The Group and the Company capitalise borrowing costs for all qualifying assets where construction was commenced on or after 1 January 2009. However, there were no significant borrowing costs matching the capitalisation criteria in 2011 and in 2010.

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

2.17. Financial 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.

Financial lease – Group and the Company as a lessee

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

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

Operating lease – the Group and the Company as lessee

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

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

If the result of sales and lease back transactions is operating lease and it is obvious that 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.

2. Accounting policies (cont'd)

2.17. Financial lease and operating lease (cont'd)

Operating lease – the Group and the Company as lessor

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

2.18. 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 over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.

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

2.19. Financial guarantee contracts

Financial guarantees provided for the liabilities of the sister companies (i.e. companies controlled by the same parent) during the initial recognition are accounted at estimated fair value as distribution to shareholder and financial liability in the balance sheet. Subsequent to initial recognition this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the sister company's financial liability to the bank. If there is a possibility that the sister company may fail to fulfil its obligations to the bank, a financial liability of the Company is accounted for at the higher of amortised value and the value estimated according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

2.20. Grants and subsidies

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

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

2.21. Trade and other payable

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

The nominal or cost value of the other payables is assumed to appropriate their fair value.

2. Accounting policies (cont'd)

2.22. Income tax

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

15% income tax rate has been established starting from 1 January 2010 for companies operating in Republic of Lithuania. Standard income tax rate in Ukraine was 25% until 1 April 2011, after 1 April 2011 – 23% (in 2010 – 25%).

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

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

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

2.23. 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. Group entity UAB Baltwood is engaged in production of wooden houses. When product is ready, the contractor approves the order and makes payment, while product is brought to the contractor only after separate notice. The entity recognises income and expenses at the moment when contractor gives notice that order is completed as it is stated in the agreement that risks related to the product are then transferred to contractor.

Revenue from services is recognised when services are rendered.

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

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

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

2. Accounting policies (cont'd)

2.24. Impairment of assets

Financial assets

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

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

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

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of the statement of comprehensive income as the impairment loss.

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

2.25. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.8, 2.9, 5, 7), amortization (Note 2.7 and Note 6), valuation of buildings (Note 2.8, Note 5), non-current employee benefits (Note 2.18 and Note 17), impairment evaluation of goodwill (Note 2.4, 6), deferred tax asset (Note 2.21, Note 25) and other assets (Note 2.23, 9 and 10). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

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

2.26. Contingencies

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

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

2. Accounting policies (cont'd)

2.27. Comparative information

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year. Therefore, amounts of property, plant and equipment and intangible assets were amended by including goodwill and investment property (Note 19), comparative figures of Statement of Cash flows and certain risk management notes were changed to conform with current year presentation.

2.28. Discontinued (transferred) operations

Current year and comparative year revenue, expenses and result after taxes is presented in two lines in Company's statement of comprehensive income, separately disclosing revenue, expenses and results after taxes of transferred (discontinued) and continuing operations (Note 1).

2.29. Subsequent events

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

3. First – time adoption of International Financial Reporting Standards

As it is mentioned in Note 2, 2010 financial statements were prepared in accordance with IFRS are the first financial statements in which all IFRS were adopted by the Company, except that the date of full transition has been established as 31 December 2010, and not 1 January 2009 as required by IFRS 1. The only change between the previously applied accounting principles and the principles applied from 31 December 2010 related to the change from the indexed cost to deemed cost for accounting of buildings, as discussed in Note 2.8. Presentation of impact on equity of adopting IFRS to buildings as at 31 December 2010 is presented below:

	Equity
Impact of IFRS 1 adoption:	
Revaluation of buildings at deemed cost (Note 5)	13,047,594
Deferred tax liability related to deemed cost accounting for buildings (Note 25)	(1,957,207)
Total	11,090,387

4. Financial assets and liabilities and risk management

Credit risk

The Group and the Company does not have any significant concentration of trading counterparties. Group receivables from two major customers as at 31 December 2011 amounted to 9.13% and 4.61% respectively (13.72% and 8.82% as at 31 December 2010) of the total Group's trade receivables. Company's receivables from two major customers as at 31 December 2011 amounted to 16.71% and 6.19% respectively (14.28% and 6.48% as at 31 December 2010) of the total Company's trade receivables.

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

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

<u>Liquidity risk</u>

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2011 and 2010 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	3,256,078	18,852,885	54,636,443	19,837,537	96,582,943
Financial lease obligations	-	927,836	3,044,439	4,105,451	-	8,077,726
Trade payables	-	32,560,874	-	-	-	32,560,874
Other current liabilities	998,232	2,393,075	-	-	-	3,391,307
Balance as at 31 December 2011	**998,232**	**39,137,863**	**21,897,324**	**58,741,894**	**19,837,537**	**140,612,850**
Interest bearing borrowings	3,859,292	5,708,956	13,675,239	38,165,663	26,308,694	87,717,844
Financial lease obligations	-	1,494,562	2,923,864	7,405,294	-	11,823,720
Trade payables	-	31,400,977	-	-	-	31,400,977
Other current liabilities	1,552,564	2,337,220	-	-	-	3,889,784
Balance as at 31 December 2010	**5,411,856**	**40,941,715**	**16,599,103**	**45,570,957**	**26,308,694**	**134,832,325**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2011 and 2010 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	774,032	9,423,710	17,054,209	-	27,251,951
Financial lease obligations	-	819,865	2,282,070	3,666,593	-	6,768,528
Payables to related parties	-	1,843,004	-	-	-	1,843,004
Trade payables	-	11,093,937	-	-	-	11,093,937
Other current liabilities	442,939	1,253,465	-	-	-	1,696,404
Balance as at 31 December 2011	**442,939**	**15,784,303**	**11,705,780**	**20,720,802**	**-**	**48,653,824**
Interest bearing borrowings	-	3,801,163	8,345,224	11,368,000	-	23,514,387
Financial lease obligations	-	1,442,976	2,518,020	6,997,832	-	10,958,828
Payables to related parties	-	2,625,855	-	-	-	2,625,855
Trade payables	-	17,517,298	-	-	-	17,517,298
Other current liabilities	420,644	1,989,260	-	-	-	2,409,904
Balance as at 31 December 2010	**420,644**	**27,376,552**	**10,863,244**	**18,365,832**	**-**	**57,026,272**

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

Interest risk

The major part of the Group's and the Company's borrowings (loans and financial lease obligations) are subject to variable rates, related to EUR LIBOR and VILIBOR, which creates an interest rate risk (Notes 15 and 16). There are no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as at 31 December 2011 and 2010.

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

2011	Increase/decrease in basis points	Effect on the profit before the income tax
EUR	+100	(656,543)
EUR	-100	656,543
LTL	+100	(309,952)
LTL	-100	309,952
2010		
EUR	+100	(642,285)
EUR	-100	642,285
LTL	+100	(240,030)
LTL	-100	240,030

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

2011	Increase/decrease in basis points	Effect on the profit before the income tax
EUR	+100	(133,005)
EUR	-100	133,005
LTL	+100	(191,497)
LTL	-100	191,497
2010		
EUR	+100	(20,653)
EUR	-100	20,653
LTL	+100	(208,714)
LTL	-100	208,714

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

Foreign exchange risk

The Company's monetary assets and liabilities as at 31 December 2011 and 2010 are denominated in LTL or EUR, to which LTL is pegged, consequently the management of the Company believes that foreign exchange risk on EUR is insignificant. Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2011 were as follows (equivalent in LTL):

Group	UAH	USD	EUR	LTL	Other
Receivables	2,061,118	-	12,664,224	15,106,042	153,167
Cash and cash equivalents	176,701	-	437,659	1,520,450	-
Borrowings and financial lease obligations	-	848,781	65,654,337	30,995,201	-
Payables	628,109	69,391	6,028,003	37,300,467	-

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

Group	UAH	USD	EUR	LTL	Other
Receivables	1,980,711	2,532	10,802,511	19,571,699	-
Cash and cash equivalents	-	-	608,145	770,490	-
Borrowings and financial lease obligations	-	1,696,450	64,510,578	31,016,051	-
Payables	360,340	693	4,749,303	39,425,897	409,894

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

2011	Increase/decrease in basis points	Effect on the profit before the income tax
USD	+10	(91.817)
USD	-10	91.817
UAH	+10	160,971
UAH	-10	(160,971)
2010		
USD	+10	(169,461)
USD	-10	169,461
UAH	+10	162,037
UAH	-10	(162,037)

Fair value of financial instruments

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

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

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

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

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

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

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

	Carrying amount		Fair value	
	2011	**2010**	**2011**	**2010**
Financial assets				
Cash	2,134,809	1,378,635	2,134,809	1,378,635
Receivables from related parties (including loans granted)	1,254	10,944	1,254	10,944
Trade receivables and other receivables	30,451,289	32,346,509	30,451,289	32,346,509
Financial liabilities				
Interest bearing loans and borrowings	89,693,824	85,823,679	89,693,824	85,823,679
Financial lease obligations	7,804,495	11,399,400	7,804,495	11,399,400
Trade payables	32,470,786	31,500,969	32,470,786	31,500,969
Payables to related parties	90,088	23,056	90,088	23,056
Other current liabilities	2,932,766	3,263,036	2,932,766	3,263,036

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

	Carrying amount		Fair value	
	2011	**2010**	**2011**	**2010**
Financial assets				
Cash	71,238	361,192	71,238	361,192
Receivables from related parties (including loans granted)	3,781,079	14,095,133	3,781,079	14,095,133
Trade receivables	10,246,888	17,289,989	10,246,888	17,289,989
Non-current receivables	1,701,303	13,347,028	1,701,303	13,347,028
Financial liabilities				
Interest bearing loans and borrowings	25,887,786	22,936,721	25,887,786	22,936,721
Financial lease obligations	6,562,467	10,600,827	6,562,467	10,600,827
Trade payables	11,093,937	17,517,298	11,093,937	17,517,298
Payables to related parties	1,843,004	2,625,855	1,843,004	2,625,855
Other current liabilities	1,462,220	1,695,188	1,462,220	1,695,188

5. Property, plant and equipment

Group	Buildings and structures	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL
Cost:						
Balance as at 31 December 2009	40,894,161	132,823,218	5,172,700	3,406,745	255,233	182,552,057
Additions arising from acquisition of subsidiaries (Note 6)	34,185,265	19,478,730	664,901	7,735,093	2,671,778	64,735,767
Additions	212,118	2,148588	650,023	440,917	17,104,562	20,556,208
Revaluation impact of IFRS 1 adoption (Note 3)	13,047,594	-	-	-	-	13,047,594
Transfer*	(14,352,152)	-	-	-	-	(14,352,152)
Disposals and write-offs	(16,780)	(1,268,208)	(464,191)	(279,953)	-	(2,029,132)
Transfer from construction in progress to property, plant and equipment	-	2,692,540	-	-	(2,692,540)	-
Reclassifications	6,378,936	1,114,498	(527,250)	(6,966,184)	-	-
Reclassification to Investment property	(4,949,000)	-	-	-	-	(4,949,000)
Effect of foreign currency translation	87,710	76,966	-	-	558	165,234
Balance as at 31 December 2010	75,487,852	157,066,332	5,496,183	4,336,618	17,339,591	259,726,576
Additions	924,231	7,172,825	752,379	795,399	19,380,759	29,025,593
Disposals and write-offs	(444,090)	(9,488,987)	(459,772)	(718,210)	-	(11,111,059)
Transfer**	120,303	472,369	-	(112,324)	-	480,348
Transfer from construction in progress to property, plant and equipment and intangibles	2,113,204	18,493,683	52,181	-	(20,681,632)	(22,564)
Reclassifications	1,806,071	(1,742,087)	(79,958)	15,974		-
Effect of foreign currency translation	95,462	70,774	5,937	7,091	(2,641)	176,623
Balance as at 31 December 2011	80,103,033	172,044,909	5,766,950	4,324,548	16,036,077	278,275,517
Accumulated depreciation and impairment:						
Balance as at 31 December 2009	16,854,126	66,455,153	3,473,756	2,659,046	-	89,442,081
Depreciation	2,123,277	16,417,521	810,151	1,300,292		20,651,241
Impairment loss/(reversal)	(6,249)	9,405	-	-	-	3,156
Disposals and write-offs	(15,672)	(1,312,709)	(421,442)	(270,370)	-	(2,020,193)
Transfer*	(14,352,152)	-	-	-	-	(14,352,152)
Reclassifications	579,610	385,581	(162,776)	(802,415)	-	-
Effect of foreign currency translation	2,385	1,983	-	-	-	4,368
Balance as at 31 December 2010	5,185,325	81,956,934	3,699,689	2,886,553	-	93,728,501
Depreciation	3,495,213	16,919,249	721,677	629,334	-	21,765,473
Impairment loss/(reversal)	(6,250)	(77,997)	-	-	-	(84,247)
Disposals and write-offs	(85,948)	(9,033,714)	(439,922)	(713,856)	-	(10,273,440)
Transfer**	(16,998)	501,131	-	(3,780)	-	480,353
Reclassifications	272,517	(226,041)	(62,449)	15,973	-	-
Effect of foreign currency translation	29,163	46,123	1,162	3,740	-	80,188
Balance as at 31 December 2011	8,873,022	90,085,685	3,920,157	2,817,964	-	105,696,828
Net book value as at 31 December 2010	**70,302,527**	**75,109,398**	**1,796,494**	**1,450,065**	**17,339,591**	**165,998,075**
Net book value as at 31 December 2011	**71,230,011**	**81,959,224**	**1,846,793**	**1,506,584**	**16,036,077**	**172,578,689**

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

** Transfer mainly relates to the elimination of accrued depreciation against acquisition costs of revalued properties which had to be done as at 31 December 2009 (at the revaluation date), however, it was not done while presenting acquisition cost and depreciation of disposed and written off properties during 2010. This elimination does not affect Group's net book value of property, plant and equipment as at 31 December 2011.

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

Company	**Buildings and structures**	**Machinery and equipment**	**Vehicles**	**Other assets**	**Construction in progress and prepayments**	**TOTAL:**
Cost:						
Balance as at 31 December 2009	38,908,900	120,634,052	3,680,896	3,236,806	255,233	166,715,887
Additions	-	973,600	350,001	232,263	16,509,966	18,065,830
Revaluation impact of IFRS 1 adoption (Note 3)	13,047,594	-	-	-	-	13,047,594
Transfer*	(14,352,152)	-	-	-	-	(14,352,152)
Disposals and write-offs	(12,361)	(934,339)	(328,957)	(159,612)	-	(1,435,269)
Transfer from construction in progress to property, plant and equipment	-	40,862	-	-	(40,862)	-
Reclassifications	(117,266)	-	-	117,266	-	-
Reclassification to Investment property	(4,949,000)	-	-	-	-	(4,949,000)
Balance as at 31 December 2010	32,525,715	120,714,175	3,701,940	3,426,723	16,724,337	177,092,890
Additions	798,652	6,433,221	473,473	372,354	15,670,412	23,748,112
Disposals and write-offs	(39,397)	(9,462,264)	(459,771)	(713,328)	-	(10,674,760)
Transfer to subsidiary (Note 1)	(16,884,235)	(28,483,844)	(1,637,007)	(794,068)	-	(47,799,154)
Transfer from construction in progress to property, plant and equipment	2,113,204	14,584,795	-	-	(16,697,999)	-
Reclassifications	1,806,071	(1,742,087)	(79,958)	15,974	-	-
Balance as at 31 December 2011	20,320,010	102,043,996	1,998,677	2,307,655	15,696,750	142,367,088
Accumulated depreciation and impairment:						
Balance as at 31 December 2009	16,538,205	60,911,530	2,454,426	2,525,503	-	82,429,664
Depreciation	959,142	11,993,471	486,412	330,897	-	13,769,922
Impairment loss/(reversal)	(6,249)	9,405	-	-	-	3,156
Disposals and write-offs	(12,358)	(934,274)	(295,982)	(159,366)	-	(1,401,980)
Transfer*	(14,352,152)	-	-	-	-	(14,352,152)
Reclassifications	(77,840)	-	-	77,840	-	-
Balance as at 31 December 2010	3,048,748	71,980,132	2,644,856	2,774,874	-	80,448,610
Depreciation	1,672,866	11,311,721	475,123	306,003	-	13,765,713
Impairment loss/(reversal)	(6,250)	(77,997)	-	-	-	(84,247)
Disposals and write-offs	(39,395)	(9,015,063)	(439,923)	(709,021)	-	(10,203,402)
Transfer to subsidiary (Note 1)	(1,790,985)	(24,087,082)	(1,413,911)	(563,027)	-	(27,855,005)
Reclassifications	272,517	(226,041)	(62,449)	15,973	-	-
Balance as at 31 December 2011	3,157,501	49,885,670	1,203,696	1,824,802	-	56,071,669
Net book value as at 31 December 2010	**29,476,967**	**48,734,043**	**1,057,084**	**651,849**	**16,724,337**	**96,644,280**
Net book value as at 31 December 2011	**17,162,509**	**52,158,326**	**794,981**	**482,853**	**15,696,750**	**86,295,419**

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

The Group in 2011 and 2010 has reviewed the classification of property, plant and equipment in acquired subsidiaries in 2011 and 2010 and in order to make the consistent classification in all Group has performed reclassifications from other assets and vehicles groups to buildings and structures, machinery and equipment groups.

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

As at 31 December 2011 and 2010, the net book value of the Group's and Company's property, plant and equipment acquired under finance lease was as follows:

	Group		Company	
	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
Machinery and equipment	11,657,803	15,871,346	9,819,983	14,486,522
Vehicles	843,209	871,904	487,463	611,977
	12,501,012	**16,743,250**	**10,307,446**	**15,098,499**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2011 amounts to LTL 21,765 thousand and LTL 13,766 thousand, respectively (LTL 20,651 thousand and LTL 13,770 thousand in the year 2010, respectively). Amounts of LTL 421 thousand and LTL 182 thousand for the year 2011 (LTL 427 thousand and LTL 220 thousand for the year 2010, respectively) have been included into general and administrative expenses in the Group's and the Company's statement of comprehensive income, respectively. LTL 262 thousand and LTL 148 thousand for the year 2011 (LTL 135 thousand and LTL 61 thousand in 2010) have been included into selling and distribution expenses in the Group's and Company's statement of comprehensive income, respectively. The remaining depreciation expenses of property, plant and equipment have been included into the cost of sales.

As at 31 December 2011, the part of the Group's and the Company's property, plant and equipment with a net book value of LTL 68,466 thousand and LTL 17,118 thousand, respectively (31 December 2010 – LTL 94,522 thousand and LTL 32,990 thousand, respectively) is pledged as a security for repayment of the loans granted by banks (Note 15).

Property, plant and equipment of the Group and the Company with an acquisition cost of LTL 23,670 thousand and LTL 22,519 thousand, respectively, were fully depreciated as at 31 December 2011 (LTL 50,508 thousand and LTL 35,852 thousand as at 31 December 2010, respectively), but were still in active use.

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

Group	2011			2010		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated costs of the project	Estimated date of completion
Modernization of heat production for wider use of renewable resources	-	-	-	16,274,396	19,000,000	2011
Construction of the building for the corrugated cardboard production, industrial equipment relocation and installation of a new corrugating equipment	13,051,984	22,000,000	2012	-	-	-
Other projects	2,984,093	6,350,000	-	1,065,195	2,290,000	2011
TOTAL:	**16,036,077**	**28,350,000**	-	**17,339,591**	**21,290,000**	-

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

Company

	2011			2010		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated costs of the project	Estimated date of completion
Modernization of heat production for wider use of renewable resources	-	-	-	16,274,396	19,000,000	2011
Construction of the building for the corrugated cardboard production, industrial equipment relocation and installation of a new corrugating equipment	13,051,984	22,000,000	2012	-	-	-
Other projects	2,644,766	6,000,000	-	449,941	535,000	2011
TOTAL:	**15,696,750**	**28,000,000**	-	**16,724,337**	**19,535,000**	-

6. Intangible assets

Goodwill

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

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

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

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

[1]The gross amount of trade receivables is LTL 11,699 thousand.

6 Intangible assets (cont'd)

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

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

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

For the purpose of impairment evaluation, the goodwill as at 31 December 2011 and 2010 was allocated to AB Klaipėdos Kartonas cash generating unit. The recoverable amount of cash generating unit as at 31 December 2011 and 2010 was determined based on the value in use calculation using cash flow projections based on the five-year financial forecasts prepared by the management. Significant assumptions used for the assessment of the value in use in 2011 and 2010 are described further.

The forecasted revenues were estimated based on the management assumptions as at 31 December 2011 and 2010 assuming that the growth in revenue will be in line with the estimated inflation rate. The costs were projected based on the actual cost level taking into account estimated inflation. Cash flows beyond the five-year period were extrapolated using 1% growth rate that reflects the best estimate of the management based on the current situation in the respective industry. The discount rate used by the management was estimated for cash generating unit as a weighted average cost of capital for that particular cash generating unit and is equal to 10% (pre-tax) for cash generating units located in Lithuania. The main assumptions applied in goodwill impairment evaluation were the same in 2011 and 2010.

The assessment of the recoverable amount of the CGU as at 31 December 2011 and 2010 resulted in no impairment of goodwill.

With regard to the assessment of the recoverable amount of the above mentioned cash generating unit as at 31 December 2011 and 2010, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

6 Intangible assets (cont'd)

Other intangible assets

Group

	Land lease right	Licenses, patents	Software	Other assets and prepayments	TOTAL:
Cost:					
Balance as at 31 December 2009	2,400,000	56,238	794,647	11,533	3,262,418
Additions	-	-	111,011	52,548	163,559
Additions arising from acquisition of subsidiaries	-	-	25,350	-	25,350
Disposals, write-offs	-	-	(26,199)	(5,288)	(31,487)
Balance as at 31 December 2010	2,400,000	56,238	904,809	58,793	3,419,840
Additions	-	-	277,681	1,741,578	2,019,259
Disposals, write-offs	-	-	(8,776)	-	(8,776)
Transfer from property, plant and equipment	-	-	22,564	-	22,564
Reclassifications	-	4,550	33,098	(37,648)	-
Effect of foreign currency translation	-	-	143	-	143
Balance as at 31 December 2011	2,400,000	60,788	1,229,519	1,762,723	5,453,030
Accumulated amortization:					
Balance as at 31 December 2009	168,889	49,272	702,194	11,531	931,886
Amortization	26,666	6,946	74,063	2,483	110,158
Disposals, write-offs	-	-	(26,187)	(5,286)	(31,473)
Balance as at 31 December 2010	195,555	56,218	750,070	8,728	1,010,571
Amortization	26,667	-	112,588	3,723	142,978
Disposals, write-offs	-	-	(8,775)	-	(8,775)
Reclassifications	-	4,549	(4,549)	-	-
Balance as at 31 December 2011	222,222	60,767	849,334	12,451	1,144,774
Net book value as at 31 December 2010	**2,204,445**	**20**	**154,739**	**50,065**	**2,409,269**
Net book value as at 31 December 2011	**2,177,778**	**21**	**380,185**	**1,750,272**	**4,308,256**

6 Intangible assets (cont'd)

Company	**Licenses, patents**	**Software**	**Other assets and prepayments**	**TOTAL:**
Cost:				
Balance as at 31 December 2009	56,238	779,262	6,245	841,745
Additions	-	40,840	52,548	93,388
Disposals, write-offs	-	(16,793)	-	(16,793)
Balance as at 31 December 2010	56,238	803,309	58,793	918,340
Additions	-	166,567	1,741,578	1,908,145
Disposals, write-offs	-	(8,776)	-	(8,776)
Transfer to subsidiary (Note 1)	-	-	(1,729,992)	(1,729,992)
Reclassifications	4,550	33,098	(37,648)	-
Balance as at 31 December 2011	60,788	994,198	32,731	1,087,717
Accumulated amortization:				
Balance as at 31 December 2009	49,272	686,860	6,244	742,376
Amortization	6,946	54,112	2,483	63,541
Disposals, write-offs	-	(16,790)	-	(16,790)
Balance as at 31 December 2010	56,218	724,182	8,727	789,127
Amortization	-	84,992	3,724	88,716
Disposals, write-offs	-	(8,775)	-	(8,775)
Reclassifications	4,549	(4,549)	-	-
Balance as at 31 December 2011	60,767	795,850	12,451	869,068
Net book value as at 31 December 2010	**20**	**79,127**	**50,066**	**129,213**
Net book value as at 31 December 2011	**21**	**198,348**	**20,280**	**218,649**

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

Part of the non-current intangible assets of the Group and the Company with the acquisition value of LTL 447 thousand and LTL 325 thousand, respectively as at 31 December 2011 was fully amortised (LTL 114 thousand and LTL 24 thousand as at 31 December 2010, respectively) but was still in use.

As at 31 December 2011 and 31 December 2010, the Group's land lease rights with a carrying value of LTL 2,178 thousand are pledged as a security for repayment of the loan granted by banks (Note 15).

7. Investment property

	Buildings
Cost:	
Balance as at 31 December 2010	4,949,000
Additions	-
Balance as at 31 December 2011	4,949,000
Accumulated depreciation:	
Balance as at 31 December 2010	-
Depreciation	226,209
Balance as at 31 December 2011	226,209
Net book value as at 31 December 2010	**4,949,000**
Net book value as at 31 December 2011	**4,722,791**

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

As at 31 December 2011 and 2010 investment property fair value approximates its net book value.

8. Non-current receivables

As at 31 December 2010 non-current receivables of the Company mainly includes receivable from UAB AGR Prekyba (Group company) in amount of LTL 10,000 thousand and part of the receivable from UAB Baltwood (Group company) in amount of LTL 3,347 thousand (Note 28).

In 2011 the Company as the sole shareholder, increased share capital of UAB AGR Prekyba by LTL 10,000 thousand. The payment for the newly issued shares was made by netting the payable amount for shares with receivable from UAB AGR Prekyba.

As at 31 December 2011 non-current receivables of the Company mainly includes long-term part of receivable from UAB Baltwood (Note 28).

9. Inventories

	Group		Company	
	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
Raw materials	9,755,741	7,729,979	2,687,331	3,505,847
Work in progress	5,093,332	4,005,095	1,757,314	2,479,607
Finished goods	10,497,897	8,571,378	1,861,285	4,835,824
Goods in transit	625,440	178,127	40,135	-
	25,972,410	**20,484,579**	**6,346,245**	**10,821,278**
Less: net realisable value allowance	(1,434,031)	(860,669)	(765,436)	(860,669)
TOTAL:	**24,538,379**	**19,623,910**	**5,580,809**	**9,960,609**

The initial cost value of the Group's and the Company's inventories accounted for at net realisable value as at 31 December 2011 amounted to LTL 1,866 thousand and LTL 765 thousand, respectively (31 December 2010 - LTL 861 thousand and LTL 861 thousand, respectively). Change in allowance for inventories for the year 2011 and 2010 has been included into general and administrative expenses.

As described in the Note 15, as at 31 December 2011 the Group and the Company have pledged inventory with a carrying value LTL 10,000 thousand and LTL 5,581 thousand respectively (31 December 2010 – LTL 10,000 thousand and 8,000 thousand, respectively) as a collateral to the banks for the loans received.

10. Accounts receivable

	Group		Company	
	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
Trade receivables, gross	27,018,143	31,042,163	13,169,055	17,586,263
Other receivables, gross	4,130,404	2,351,722	1,015,025	1,279,754
	31,148,547	**33,393,885**	**14,184,080**	**18,866,017**
Less: allowance for doubtful trade receivables	(696,004)	(1,036,432)	(154,113)	(827,923)
Total amounts receivable within one year:	**30,452,543**	**32,357,453**	**14,029,967**	**18,038,094**

Change in allowance for doubtful trade receivables for the year 2011 and 2010 has been included into general and administrative expenses.

Trade receivables are non-interest bearing and are generally collectible on 15 – 40 days terms. The carrying amount of the Group's and the Company's trade and other receivables approximates their fair value. For further analysis of credit risk please refer to Note 4.

As at 31 December 2011 and 2010 Group's and the Company's trade receivables were pledged to banks as a collateral for the loans received (Note 15).

Information on receivables from related parties is presented under Note 28.

10. Accounts receivable (cont'd)

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

	Group		Company	
	2011	2010	2011	2010
Balance as at 1 January	**1,036,432**	**885,473**	**827,923**	**829,614**
Charge for the year	525,512	208,509	154,113	-
Reversed during the year	(593,361)	(57,550)	(555,344)	(1,691)
Receivables written off as uncollectible	(272,579)	-	(272,579)	-
Balance as at 31 December	**696,004**	**1,036,432**	**154,113**	**827,923**

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

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30 – 60 days**	**60 – 90 days**	**90 – 360 days**	**More than 360 days**	**Total**
2010	25,598,820	5,057,781	1,035,374	169,774	495,704	-	32,357,453
2011	24,493,518	4,682,197	701,177	117,442	458,269	-	30,452,543

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

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30 – 60 days**	**60 – 90 days**	**90 – 360 days**	**More than 360 days**	**Total**
2010	12,996,816	3,180,594	694,379	169,774	50,889	945,642[1]	18,038,094
2011	11,356,591	1,663,492	157,217	301,093	551,574	-	14,029,967

[1] As at 31 December 2010 the major part of overdue trade receivable by the Company was a receivable from Company's subsidiary UAB Baltwood, part of which and newly formed amount was reclassified to non-current receivables in 2011 (Note 8). As the Group management's plans are related to further improvement of operational performance and rescheduling terms of repayment of current bank loans due by subsidiary, therefore no allowance for the receivable was accounted by the Company in 2011 and 2010.

11. Cash and cash equivalents

	Group		Company	
	As at 31 December 2011	**As at 31 December 2010**	**As at 31 December 2011**	**As at 31 December 2010**
Cash at bank	2,097,414	1,339,035	43,517	332,429
Cash on hand	37,395	39,600	27,721	28,763
TOTAL:	**2,134,809**	**1,378,635**	**71,238**	**361,192**

As at 31 December 2011 and 2010 the major part of bank accounts of the Group and the Company are pledged to banks for loans, as described further in Note 15. As at 31 December 2011 and 2010 there were no restrictions on use of cash balances held in the pledged accounts.

12. Share capital and reserves

Share capital

The share capital of the Company was LTL 60,000 thousand as at 31 December 2011 and as at 31 December 2010. It is divided into 60,000 thousand ordinary registered shares with the nominal value of LTL 1 each.

All shares of the Company are fully paid. The Company does not have any other classes of shares than ordinary shares mentioned above, there are no restrictions of share rights or special control rights for the shareholders set in the articles of association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital as at 31 December 2011 and 2010.

As at 31 December 2011 and 31 of December 2010 the shareholders of the Company were:

	2011		2010	
	Number of shares	**Proportion of ownership, %**	**Number of shares**	**Proportion of ownership, %**
Lithuanian legal entities	29,839,973	49.73	29,830,153	49.72
Lithuanian individuals	21,827,685	36.38	23,083,848	38.47
Foreign legal entities	8,124,108	13.54	6,870,407	11.45
Foreign individuals	208,234	0.35	215,592	0.36
TOTAL:	**60,000,000**	**100**	**60,000,000**	**100**

	Number of shares	**Proportion of ownership, %**	**Number of shares**	**Proportion of ownership, %**
UAB Ginvildos investicija	29,272,228	48.79	29,272,228	48.79
Rosemount Holdings LLC	5,639,967	9.40	5,639,967	9.40
Mišeikienė Irena Ona	8,731,686	14.55	8,731,686	14.55
TOTAL:	**43,643,881**	**72.74**	**43,643,881**	**72.74**

Reserves

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

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

13. Capital management

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

The Group and the Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders, return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2011 and 2010.

13. Capital management (cont'd)

The Group and the Company are obliged to upkeep its equity at not less than 50% of its share capital (comprised of share capital and share surplus), as imposed by the Law on Companies of the Republic of Lithuania. There were no other externally imposed capital requirements on the Group and the Company. As at 31 December 2011 and 2010 the Company was not in breach of the above mentioned requirement.

The subsidiary UAB Baltwood as at 31 December 2011 and 2010 was not in compliance with the requirement. UAB Baltwood became compliant with the requirement in 2012 when after transfer of hardboard production activities (Note 1), new by-laws were approved and increase of authorised capital of subsidiary up to LTL 32,637 thousand was registered on 1 March 2012.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Non-current liabilities (excluding grants and deferred tax liability)	74,374,928	70,985,895	20,046,138	18,330,698
Current liabilities	66,801,118	68,141,887	29,296,840	40,368,580
Liabilities	**141,176,046**	**139,127,782**	**49,342,978**	**58,699,278**
Equity	**98,496,702**	**87,188,679**	**92,443,232**	**80,108,212**
Debt to equity ratio	**143%**	**160%**	**53%**	**73%**

14. Grants and subsidies

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

Balance as at 31 December 2009	461,938
Received	8,043,997
Amortisation	(95,415)
Balance as at 31 December 2010	**8,410,520**
Received	948,295
Amortisation	(626,524)
Balance as at 31 December 2011	**8,732,291**

The grants mainly consist of the funds received from the EU for the purpose of construction of structures, acquisition of machinery and equipment (non-current assets). The Company in 2010 has started construction of bio-fuel boiler house, for which grants from EU funds were received in 2010 and 2011.

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

15. Borrowings

	Group		Company	
	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
Non-current borrowings:				
Bank borrowings secured by the Group assets	69,533,156	63,098,888	16,249,993	11,147,580
	69,533,156	**63,098,888**	**16,249,993**	**11,147,580**
Current borrowings:				
Current portion of non-current bank borrowings secured by the Group assets	12,023,517	15,253,992	3,500,642	4,318,342
Current bank borrowings secured by the Group assets	8,137,151	7,470,799	6,137,151	7,470,799
	20,160,668	**22,724,791**	**9,637,793**	**11,789,141**
TOTAL:	**89,693,824**	**85,823,679**	**25,887,786**	**22,936,721**

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
LTL	30,995,201	20,403,036	19,149,741	17,653,036
EUR	58,147,368	64,228,472	6,738,045	5,283,685
USD	551,255	1,192,171	-	-
TOTAL:	**89,693,824**	**85,823,679**	**25,887,786**	**22,936,721**

Total unutilized borrowing facilities of the Group and the Company as of 31 December 2011 amounted to LTL 9,450 thousand (LTL 3,529 thousand as of 31 December 2010).

Information on borrowings from related parties is presented under Note 28.

Compliance with loan covenants

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

As at 31 December 2010 the Company and the Group complied with all the mentioned debt covenants, except for UAB Baltwood (subsidiary of the Company) which EBITDA to financial liabilities ratio was equal to 2.4 and was below the requirement (required not less than 3.8). Therefore, the loan of LTL 3,859 thousand is accounted for as current loan in the statement of financial position of the Group as at 31 December 2010.

As at 31 December 2011 the Company and the Group complied with all the mentioned debt covenants.

Terms and debt repayment schedule

The Group and the Company face risk due to possible interest rate fluctuation. Actual interest rates are close to effective interest rates. As at 31 December 2011 the weighted average annual interest rate of borrowings outstanding of the Company and the Group was 3.30% and 2.99%, respectively (2.58% and 2.41%, respectively, as at 31 December 2010). In 2011 and 2010 the period of repricing of floating interest rates on borrowings varies from 1 day to 12 months.

For analysis of liquidity risk please refer to Note 4.

15. Borrowings (cont'd)

Pledged assets

For the loans from banks the Group and the Company have pledged property, plant and equipment (Note 5), intangible assets (Note 6), inventories (Note 9), trade accounts receivable (Note 10), bank accounts (Note 11), share of stock of AB Klaipėdos Kartonas held by the Group and UAB AGR Prekyba shares (Note 1).

The following interest rate bases are set for the borrowings as at 31 December 2011:

Group	**Currency**	**Nominal interest rate base**	**Repayment period**	**Carrying amount**
Overdraft	LTL	VILIBOR	2012	8,137,151
Secured bank loan	LTL	VILIBOR	2012 - 2015	6,020,744
Secured bank loan	EUR	EURIBOR	2012 - 2015	6,762,590
Secured bank loan	LTL	VILIBOR	2013	6,250,000
Secured bank loan	EUR	LIBOR	2012 - 2014	717,301
Secured bank loan	LTL	VILIBOR	2013	4,000,000
Secured bank loan	LTL	VILIBOR	2012 - 2015	3,045,460
Secured bank loan	LTL	VILIBOR	2013	2,800,000
Secured bank loan	EUR	EURIBOR	2012 - 2019	51,409,323
Secured bank loan	USD	LIBOR	2012	551,255
TOTAL:				**89,693,824**

Company	**Currency**	**Nominal interest rate base**	**Repayment period**	**Carrying amount**
Overdraft	LTL	VILIBOR	2012	6,137,151
Secured bank loan	EUR	EURIBOR	2012 - 2015	6,020,744
Secured bank loan	LTL	VILIBOR	2012 - 2015	6,762,590
Secured bank loan	LTL	VILIBOR	2013	6,250,000
Secured bank loan	EUR	LIBOR	2012 - 2014	717,301
TOTAL:				**25,887,786**

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

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

15. Borrowings (cont'd)

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

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

	Group		**Company**	
Year	**As at 31 December 2011**	**As at 31 December 2010**	**As at 31 December 2011**	**As at 31 December 2010**
Within one year	12,023,517	15,253,992	3,500,642	4,318,342
In the period of five years	50,254,693	37,394,201	16,249,993	11,147,580
After 5 years	19,278,463	25,704,687	-	-
	81,556,673	**78,352,880**	**19,750,635**	**15,465,922**

16. Financial lease obligations

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

As at 31 December 2011 the interest rate on the financial lease obligations fluctuates from 6 to 12 month EURIBOR or 6 month EUR LIBOR (as at 31 December 2010 – 6 month EUR LIBOR - 12 month EUR LIBOR or 6 month VILIBOR).

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

	Group		**Company**	
	As at 31 December 2011	**As at 31 December 2010**	**As at 31 December 2011**	**As at 31 December 2010**
Within one year	3,900,723	4,466,109	3,030,382	3,960,996
From one to five years	4,177,003	7,360,661	3,738,146	6,997,832
Total financial lease obligations	**8,077,726**	**11,826,770**	**6,768,528**	**10,958,828**
Interest	(273,231)	(427,370)	(206,061)	(358,001)
Present value of financial lease obligations	**7,804,495**	**11,399,400**	**6,562,467**	**10,600,827**
Financial lease obligations are accounted as:				
- current	3,752,086	4,242,460	2,936,417	3,787,762
- non-current	4,052,409	7,156,940	3,626,050	6,813,065

The fair value of the Group's and the Company's lease liabilities approximate their carrying amount. The Group's and the Company's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 5).

17. Non-current employee benefits

As at 31 December 2011 and 2010 the Group and the Company accounted for non-current employee benefits for employees leaving the Group or the Company at the age of retirement. Related expenses are included into operating expenses in the Group's and the Company's statements of comprehensive income.

	Group	Company
As at 31 December 2009	370,053	370,053
Additions arising from acquisitions of new subsidiaries	347,682	-
Change during the year 2010	12,332	-
As at 31 December 2010	730,067	370,053
Transfer to subsidiary (Note 1)	-	(199,105)
Change during the year 2011	59,296	(853)
As at 31 December 2011	**789,363**	**170,095**

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

	As at 31 December 2011	As at 31 December 2010
Discount rate	5.71 %	4.85%
Anticipated annual salary increase	3.00 %	2.00%

18. Trade and other payables

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

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

	Group		Company	
	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
Trade payables	32,560,874	31,524,025	12,936,941	20,143,153
Taxes, salaries and social insurance	5,363,556	4,754,736	1,900,804	2,038,276
Advances received	1,441,846	885,715	105,793	196,772
Other payables	3,391,307	3,889,784	1,696,404	2,409,904
TOTAL:	**42,757,583**	**41,054,260**	**16,639,942**	**24,788,105**

19. Segment information

Operating segments

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

Group 2011	Paper and paper products	Hardboard and wood products	Raw material for corrugated cardboard and related production	Unallocated	TOTAL:
Sales	77,937,849	75,353,191	147,971,272	6,415,349[1]	**307,677,661**
Cost of sales	(66,735,178)	(64,637,960)	(129,580,741)	(6,092,999)[2]	**(267,046,878)**
Gross profit	**11,202,671**	**10,715,231**	**18,390,531**	**322,350**	**40,630,783**
Depreciation and amortization	6,041,858	5,803,923	7,110,707	3,178,172[3]	**22,134,660**
Segment property, plant and equipment, investment property and intangible assets	38,097,832	30,604,683	74,409,242	38,497,979[3]	**181,609,736**
Goodwill	-	-	-	10,362,101	**10,362,101**
Segment capital expenditure	4,127,459	4,953,891	19,562,038	2,401,464[3]	**31,044,854**

Group 2010	Paper and paper products	Hardboard and wood products	Raw material for corrugated cardboard and related production	Unallocated	TOTAL:
Sales	60,762,127	64,271,728	114,503,450	6,248,162[1]	**245,785,467**
Cost of sales	(51,556,002)	(59,889,429)	(96,137,055)	(5,472,741)[2]	**(213,055,227)**
Gross profit	**9,206,125**	**4,382,299**	**18,366,395**	**775,421**	**32,730,240**
Depreciation and amortization	6,292,205	5,436,581	5,965,777	3,066,836[3]	**20,761,399**
Segment property, plant and equipment, investment property and intangible assets	40,493,130	45,326,172	61,586,924	25,950,118[3]	**173,356,344**
Goodwill	-	-	-	10,362,101	**10,362,101**
Segment capital expenditure	1,191,212	16,920,371	2,112,153	496,031[3]	**20,719,767**

[1] Unallocated sales include sales not attributable to either of the listed segments, namely sales of heating energy (steam) (as the Company has its own steam house) and other utilities services (in total for 2011 - LTL 6,415 thousand and for 2010 – LTL 6,248 thousand).
[2] Unallocated cost of sales include costs related to unallocated sales (for 2011 - LTL 6,093 thousand and for 2010 – LTL 5,473 thousand), identifiable as expenses for purchases of wood and gas needed for energy production.
[3] Unallocated depreciation and amortization, property, plant and equipment and intangible assets and capital expenditure are related to energy and other utilities services sales.

19. Segment information (cont'd)

Company 2011

	Paper and paper products	Hardboard and wood products	Raw material for corrugated cardboard, and related production	Unallocated	TOTAL:
Sales	77,937,849	59,669,830	15,254,511	6,415,349[1]	**159,277,539**
Cost of sales	(66,735,178)	(50,131,465)	(13,344,368)	(6,092,999)[2]	**(136,304,010)**
Gross profit	**11,202,671**	**9,538,365**	**1,910,143**	**322,350**	**22,973,529**
Depreciation and amortization	6,041,858	4,211,029	649,580	3,178,171[3]	**14,080,638**
Segment property, plant and equipment, investment property and intangible assets	38,097,832	-	14,641,049	38,497,979[3]	**91,236,860**
Segment capital expenditure	4,127,457	4,614,050	14,513,284	2,401,466[3]	**25,656,257**

Company 2010

	Paper and paper products	Hardboard and wood products	Raw material for corrugated cardboard, and related production	Unallocated	TOTAL:
Sales	60,764,575	49,220,022	11,472,674	8,285,197[1]	**129,742,468**
Cost of sales	(51,558,450)	(46,904,242)	(9,690,735)	(7,509,775)[2]	**(115,663,202)**
Gross profit	**9,206,125**	**2,315,760**	**1,781,939**	**775,422**	**14,079,266**
Depreciation and amortization	6,292,205	3,926,359	550,310	3,064,589[3]	**13,833,463**
Segment property, plant and equipment, investment property and intangible assets	40,493,130	34,291,773	984,643	25,952,947[3]	**101,722,493**
Segment capital expenditure	1,191,212	16,261,146	210,829	496,031[3]	**18,159,218**

[1] Unallocated sales include sales not attributable to either of the listed segments, namely sales of heating energy (steam) (as the Company has its own steam house) and other utilities services (in total for 2011 - LTL 6,415 thousand and for 2010 – LTL 8,285 thousand).
[2] Unallocated cost of sales include costs related to unallocated sales (for 2011 - LTL 6,093 thousand and for 2010 – LTL 5,473 thousand), identifiable as expenses for purchases of wood and gas needed for energy production.
[3] Unallocated depreciation and amortization, property, plant and equipment, investment property and intangible assets and capital expenditure are related to energy and other utilities services sales.

Payroll related expenses included in the Group's and Company's cost of sales in 2011 amounts to LTL 27,538 thousand and LTL 15,158 thousand, respectively (in 2010 – LTL 21,550 thousand and LTL 12,551 thousand, respectively).

19. Segment information (cont'd)

Split by geographical areas

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

	Group		Company	
	2011	2010	2011	2010
Domestic market (Lithuania)	**88,609,016**	**97,908,658**	**58,412,986**	**53,887,107**
Foreign market				
Latvia	27,249,839	21,526,856	15,545,333	12,938,788
Poland	64,891,390	32,463,404	28,551,603	13,406,537
Sweden	10,499,733	8,859,379	10,499,733	8,859,379
Denmark	10,520,805	10,663,434	10,254,475	10,251,046
Estonia	12,220,303	9,356,598	7,628,431	6,458,927
The Netherlands	7,452,362	3,397,253	2,469,150	3,397,253
Slovakia	4,314,106	3,963,554	4,314,106	3,963,554
Finland	3,145,629	2,818,267	3,145,629	2,671,885
Great Britain	6,291,616	3,935,663	6,291,616	3,935,663
Norway	755,161	1,275,057	755,161	1,275,057
Czech Republic	13,784,310	5,302,193	6,301,183	3,585,410
Germany	4,771,510	3,912,088	960,294	2,253,797
Belarus	4,050,368	5,173,770	891,727	978,551
Italy	1,429,066	1,009,721	-	-
Hungary	1,120,551	481,917	516,144	134,002
France	2,176,345	821,514	-	-
Russia	7,617,808	6,439,534	-	-
Ukraine	32,325,995	24,369,433	-	-
Other countries	4,451,748	2,107,174	2,739,968	1,745,512
Foreign market, total	**219,068,645**	**147,876,809**	**100,864,553**	**75,855,361**
TOTAL:	**307,677,661**	**245,785,467**	**159,277,539**	**129,742,468**

Property, plant and equipment and investment property location:

	Group		Company	
	2011	2010	2011	2010
Lithuania	168,746,636	162,111,027	91,018,210	101,593,280
Ukraine	8,554,844	8,836,048	-	-
TOTAL:	**177,301,480**	**170,947,075**	**91,018,210**	**101,593,280**

20. Other operating income

	Group		Company	
	2011	2010	2011	2010
Gain from sale of emission rights	2,370,751	2,503,450	2,370,751	2,503,450
Rental income	683,730	554,796	683,730	545,796
Income from sale of low value inventory	-	892,889	-	892,889
Income from sale of scrap	341,784	376,588	185,004	376,588
Insurance compensations	32,286	8,823	-	6,463
Gain from disposal of property, plant and equipment	110,479	3,719	110,479	4,923
Other income	457,894	205,261	544,408	-
TOTAL:	**3,996,924**	**4,545,526**	**3,894,372**	**4,330,109**

21. Other operating expenses

	Group		Company	
	2011	2010	2011	2010
Expenses related to rented property	169,662	169,898	169,662	143,100
Other expenses	82,680	260,574	61,863	7,824
TOTAL:	**252,342**	**430,472**	**231,525**	**150,924**

22. Selling and distribution expenses

	Group		Company	
	2011	2010	2011	2010
Fuel and transportation services	7,328,723	5,943,631	6,308,130	4,687,113
Salaries and related expenses	2,980,262	2,198,484	2,144,026	1,993,301
Mediation, marketing, promotion and representation	1,666,886	1,378,672	1,494,690	1,361,262
Repairs and maintenance	461,974	474,506	309,134	463,710
Depreciation and amortization	261,809	135,368	148,481	61,167
Other sales expenses	805,063	625,897	580,358	459,212
TOTAL:	**13,504,717**	**10,756,558**	**10,984,819**	**9,025,765**
Selling and distribution expenses related to:				
continuing operations	-	-	*6,527,456*	*5,563,813*
discontinued operations	-	-	*4,457,363*	*3,461,952*

23. General and administrative expenses

	Group		Company	
	2011	2010	2011	2010
Salaries and related expenses	5,779,264	5,809,972	3,360,140	3,652,992
Taxes, except for income tax	1,326,556	1,132,365	846,189	690,963
Fuel and transportation services	533,553	645,302	234,308	318,943
Bank charges	377,919	449,519	131,550	175,159
Asset repairs and maintenance	387,602	468,135	284,162	465,113
Depreciation and amortization	789,859	426,607	497,000	219,717
Security services	429,215	389,356	325,175	302,656
Insurance services	313,434	187,553	167,071	150,629
Consulting services	295,980	353,769	188,700	176,965
Communication services	140,224	118,269	72,234	65,028
Advertising and representation	209,340	127,245	123,519	54,233
Inventory allowance	573,362	(79,967)	(95,233)	(79,967)
Other administrative expenses	430,271	1,101,143	463,702	652,106
TOTAL:	**11,586,579**	**11,129,268**	**6,598,517**	**6,844,537**
General and administrative expenses related to:				
continuing operations	-	-	*5,216,943*	*5,651,907*
discontinued operations	-	-	*1,381,574*	*1,192,630*

24. Finance income and (expenses), net

	Group		Company	
	2011	2010	2011	2010
Interest income	141,173	1,475	3,612	119,126
Other finance income (Note 1)	14,584	2,382	5,839,973	2,382
Total finance income	**155,757**	**3,857**	**5,843,585**	**121,508**
Interest on loans and leases	(3,136,315)	(2,885,040)	(1,265,123)	(859,236)
Net foreign exchange losses	(4,140,540)	(3,204,977)	(89,046)	(38,007)
Other finance expenses	(99,026)	(219,170)	(54,798)	(5,013)
Total finance expenses	**(7,375,881)**	**(6,309,187)**	**(1,408,967)**	**(902,256)**
Finance income and expenses, related to discontinued operations	-	-	5,360,421	(343,694)
Finance income and expenses, net	**(7,220,124)**	**(6,305,330)**	**(925,803)**	**(437,054)**

Foreign exchange loss in the Group in 2011 and 2010 is generated by subsidiary OAO Mena Pak which is operating in Ukraine.

25. Income tax

	Group		Company	
Components of income tax expenses	2011	2010	2011	2010
Current income tax	1,480,754	1,276,782	648,741	188,551
Correction of income tax for previous periods	(64,059)	-	(40,616)	-
Deferred income tax (income)	(2,137,006)	(164,926)	(655,487)	(100,859)
Income tax expenses (income) recorded in the statement of comprehensive income	**(720,311)**	**1,111,856**	**(47,362)**	**87,692**

25. Income tax (cont'd)

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

	Group		Company	
	2011	2010	2011	2010
Profit before tax	**12,063,945**	**8,654,138**	**13,487,658**	**1,607,401**
Income tax expenses computed at 15%	1,809,592	1,298,121	2,023,149	241,110
Effect of higher tax rate in Ukraine	72,059	251,118	-	-
Effect of change in tax rate	(243,386)	-	-	-
Change in deferred tax asset valuation allowance	(1,405,998)	945,082	(929,672)	1,042,034
Correction of income tax for previous periods	(64,059)	-	(40,616)	-
Utilized tax incentive due to investment projects	(303,739)	(1,186,127)	(303,739)	(1,186,127)
Permanent differences	(584,780)	(196,338)	(796,484)	(9,325)
Income tax expenses reported in the statement of comprehensive income	**(720,311)**	**1,111,856**	**(47,362)**	**87,692**

	Group		Company	
	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
Deferred income tax asset				
Allowance for accounts receivable	138,597	209,428	38,204	124,188
Investment incentive (bio-fuel boiler construction)	650,254	995,256	650,254	995,256
Allowance for inventories	213,705	129,100	113,416	129,100
Non-current employee benefits	118,405	109,510	25,514	55,508
Vacation accrual	347,562	602,034	158,926	225,496
Tax loss carry forward	837,063	871,471	-	-
Other accruals	310,371	-	-	-
Deferred income tax asset before valuation allowance	2,615,957	2,916,799	986,314	1,529,548
Less: valuation allowance	(318,874)	(1,760,238)	(318,874)	(1,248,546)
Deferred income tax asset, net of valuation allowance	2,297,083	1,156,561	667,440	281,002
Deferred income tax liability				
Intangible assets (land lease)	(326,667)	(330,667)	-	-
Property, plant and equipment (investment incentive)	(267,768)	(317,662)	(149,606)	(317,662)
Property, plant and equipment revaluation (deemed cost)	(3,405,004)	(4,328,492)	(878,300)	(1,957,207)
Property, plant and equipment (repairs incentive)	(57,148)	(59,024)	(57,147)	(59,024)
Other	(30,584)	(47,855)	-	-
Deferred income tax liability	(4,087,171)	(5,083,700)	(1,085,053)	(2,333,893)
Deferred income tax, net	**(1,790,088)**	**(3,927,139)**	**(417,613)**	**(2,052,891)**

25. Income tax (cont'd)

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

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

Group	As at 31 December 2009	Recognised in statement of compre-hensive income	Acquired subsidiaries	Recognised in retained earnings	As at 31 December 2010	Recognised in statement of compre-hensive income	As at 31 December 2011
Intangible assets	(2,231,113)	26,668	-	-	(2,204,445)	26,665	(2,177,780)
Property, plant and equipment (investment incentive)	(2,440,643)	322,894	-	-	(2,117,749)	332,627	(1,785,122)
Property, plant and equipment	-	40,340	(15,848,907)	(13,047,594)	(28,856,161)	6,156,587	(22,699,574)
Investment incentive (bio-fuel boiler construction)	-	6,635,040	-	-	6,635,040	(2,300,011)	4,335,029
Property, plant and equipment (repairs incentive)	(406,007)	12,511	-	-	(393,496)	12,511	(380,985)
Non-current employee benefits	370,053	12,332	347,682	-	730,067	59,301	789,368
Allowance for accounts receivable	885,473	150,959	359,753	-	1,396,185	(472,208)	923,977
Allowance for inventories	940,636	(79,967)	-	-	860,669	564,030	1,424,699
Vacation accrual	1,305,717	488,473	2,219,371	-	4,013,561	(1,696,481)	2,317,080
Tax loss carry forward	5,699,973	109,831	-	-	5,809,804	(229,384)	5,580,420
Other	-	(319,033)	-	-	(319,033)	2,184,280	1,865,247
Total temporary differences before valuation allowance	4,124,089	7,400,048	(12,922,101)	(13,047,594)	(14,445,558)	4,637,917	(9,807,641)
Valuation allowance	(5,434,373)	(6,300,546)	-	-	(11,734,919)	9,609,094	(2,125,825)
Total temporary differences	**(1,310,284)**	**1,099,502**	**(12,922,101)**	**(13,047,594)**	**(26,180,477)**	**14,247,011**	**(11,933,466)**
Deferred income tax, net	**(196,543)**	**164,926**	**(1,938,315)**	**(1,957,207)**	**(3,927,139)**	**2,137,006**	**(1,790,088)**
Change in temporary differences		164,926				2,137,006	

25. Income tax (cont'd)

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

Company	**As at 31 December 2009**	**Recognised in statement of comprehensive income**	**Recognised in retained earnings**	**As at 31 December 2010**	**Recognised in statement of comprehensive income**	**Transferred to subsidiary (Note 1)**	**As at 31 December 2011**
Property, plant and equipment (investment incentive)	(2,440,643)	322,894	-	(2,117,749)	332,625	787,749	(997,375)
Property, plant and equipment	-	-	(13,047,594)	(13,047,594)	680,673	6,512,042	(5,854,879)
Investment incentive (bio-fuel boiler construction)	-	6,635,040	-	6,635,040	(2,300,011)	-	4,335,029
Property, plant and equipment (repairs incentive)	(406,007)	12,511	-	(393,496)	12,511	-	(380,985)
Non-current employee benefits	370,053	-	-	370,053	(853)	(199,105)	170,095
Allowance for accounts receivable	829,614	(1,691)	-	827,923	(573,233)	-	254,690
Allowance for inventories	940,636	(79,967)	-	860,669	(104,563)	-	756,106
Vacation accrual	1,166,304	337,000	-	1,503,304	124,940	(568,737)	1,059,507
Total temporary differences before valuation allowance	**459,957**	**7,225,787**	**(13,047,594)**	**(5,361,850)**	**1,827,911**	**6,531,949**	**(657,812)**
Valuation allowance	**(2,140,303)**	**(6,553,397)**	-	**(8,323,641)**	**6,197,816**	-	**(2,125,825)**
Total temporary differences	**(1,680,346)**	**672,390**	**(13,047,594)**	**(13,685,491)**	**4,369,905**	**6,531,949**	**(2,783,637)**
Deferred income tax, net	**(196,543)**	**100,859**	**(1,957,207)**	**(2,052,891)**	**655,487**	**979,791**	**(417,613)**
Change in temporary differences		100,859			655,487		

Deferred income tax asset and liability, related to entities operating in Lithuania, were accounted at 15% rate in 2011 and 2010. The deferred tax of company operating in Ukraine was calculated using 25% tax rate in 2011, 21% and 16% in 2010. The expiry date of deferred tax asset from investment incentive is the end of year 2014.

26. Basic and diluted earnings per share (LTL)

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

	Group	
	2011	**2010**
Net profit (loss) attributable to the shareholders	12,654,614	7,200,526
Average number of ordinary shares	60,000,000	60,000,000
Earnings per share	**0.21**	**0.12**

27. Dividends per share

	2011	2010
Approved dividends*	1,200,000	1,200,000
Number of shares**	60,000,000	60,000,000
Approved dividends per share (LTL)	0.02	0.02

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

28. Related party transactions

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

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

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

As at 31 December 2011 and 2010 at the Group there were no guarantees or pledges given or received in respect of the related party payables and receivables. The Company as at 31 December 2011 and 2010 had guarantee issued to the bank to secure the loans of LTL 2,800 thousand (31 December 2010 – LTL 3,859 thousand) of its subsidiary UAB Baltwood.

Related party receivables and payables are expected to be settled in cash or set-off against payables / receivables to / from a respective related party.

Group 2011	**Sale of goods and services**	**Purchase of goods and services**	**Amounts receivable**	**Amounts payable**
UAB Ginvildos investicija	390	218,873	-	90,088
UAB Didma	3,373	475,147	-	-
UAB Naras	3,959	-	-	-
UAB Naujieji Verkiai	11,303	-	1,254	-
TOTAL:	**19,025**	**694,020**	**1,254**	**90,088**

28. Related party transactions (cont'd)

Group 2010

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

Company 2011

	Sale of goods and services	Purchase of goods and services	Amounts receivable	Amounts payable
UAB Baltwood	4,501,283	3,325,979	3,580,133	-
UAB AGR Prekyba	1,671	-	116,985	-
UAB Ginvildos investicija	390	218,873	-	90,088
UAB Didma	3,373	475,147	-	-
UAB Naras	3,959	-	-	-
UAB Naujieji Verkiai	11,303	-	1,254	-
AB Klaipėdos Kartonas	407,965	10,542,891	84,707	1,752,916
TOTAL:	**4,929,944**	**14,562,890**	**3,783,079**	**1,843,004**

Company 2010

	Sale of goods and services	Purchase of goods and services	Amounts receivable	Amounts payable
UAB Baltwood	2,429,075	2,573,362	3,841,528	-
UAB AGR Prekyba	115,287	-	10, 115,287	-
UAB Ginvildos investicija	380	139,075	-	23,056
UAB Didma	2,548	313,427	-	-
UAB Naras	55,205	-	10,047	-
UAB Naujieji Verkiai	3,086	-	897	-
AB Klaipėdos Kartonas	332,284	7,133,263	127,374	2,602,799
TOTAL:	**2,937,865**	**10,159,127**	**14,095,133**	**2,625,855**

As at 31 December 2010 receivables in amount of LTL 10,115 thousand from UAB AGR Prekyba and part of the receivable from UAB Baltwood (LTL 3,347 thousand) were accounted for under non-current receivables caption in the statement of financial position of the Company (whereas the remaining amount of the receivable accounted under accounts receivable caption). In 2011 the Company as the sole shareholder, increased share capital of UAB AGR Prekyba by LTL 10,000 thousand. The payment for the newly issued shares was made by netting the payable amount for shares with the receivable from UAB AGR Prekyba. As at 31 December 2011 only part of the receivable from UAB Baltwood (LTL 1,701 thousand) was accounted as non-current (Note 8). The remaining amount of LTL 1,879 thousand included under accounts receivable caption in the statement of financial position of the Company (Note 10). Non-current intercompany receivables bear interest rates that approximate market interest rates.

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

28. Related party transactions (cont'd)

Remuneration of the management

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

	Group		Company	
	2011	2010	2011	2010
Management remuneration	1,901,055	1,750,288	1,144,661	1,105,321
Average number of managers	15	14	8	8

In 2011 and 2010 the management of the Company did not receive any guarantees; no other payments or property transfers were made or accrued. In 2011 the Company paid bonuses to its Supervisory Board and Management Board in total amount of LTL 100 thousand (in 2010 - nil).

29. Off-balance sheet items

Information on emission rights

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

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

Emission rights	**Quantity (unaudited)**	
	Group	**Company**
As at 31 December 2009	**(30,617)**	**(30,617)**
Emission rights allocated	115,794	83,481
Emission rights used	(69,334)	(36,223)
Sale of emission rights	(52,000)	(52,000)
As at 31 December 2010	**(36,157)**	**(35,359)**
Emission rights allocated	105,267	72,954
Purchase of emission rights	40,000	40,000
Emission rights used	(49,021)	(13,985)
Sale of emission rights	(70,000)	(70,000)
As at 31 December 2011	**(9,911)**	**(6,390)**

The shortage of emission rights as at 31 December 2011 and 2010 was covered from the rights received in 2012 and 2011 before reporting to the regional environment protection department. There was no liability recognized in the statement of financial position arising from shortage of rights because it is not expected to incur expenses for the acquisition of required emission rights.

30. Subsequent events

On 1 March, 2012 new by-laws and increased share capital up to LTL 32,637 thousand at subsidiary UAB Baltwood were registered. Changes were related to transferred activities from the Company to the subsidiary as at 31 December 2011 (Note 1).

GRIGIŠKĖS AB

AUDITED CONSOLIDATED ANNUAL REPORT

FOR THE YEAR 2011

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

Annual report has been prepared for the year 2011.

2. AUDIT INFORMATION

The annual consolidated report of Grigiškės AB covering the twelve months of 2011 is audited.

3. GROUP COMPANIES AND THEIR CONTACT DETAILS

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

Status	Issuer	Subsidiary	Subsidiary
Name	**Grigiškės AB**	**Klaipėdos kartonas AB**	**Baltwood UAB**
Company's ID No.	110012450	141011268	126199731
Authorised capital	60.000.000 LTL	41.001.895 LTL	9.950.000 LTL
Shares directly or indirectly controlled by Grigiškės AB	Company has not acquired any shares of itself	95,78 %	100 %
Address	Vilniaus str. 10, Grigiškės, Vilnius	Nemuno str. 2, Klaipėda	Vilniaus str. 10, Grigiškės, Vilnius
Phone	+370 5 243 58 01	+370 46 39 56 01	+370 5 243 59 00
Fax	+370 5 243 58 02	+370 46 39 56 00	+370 5 243 59 10
E-mail	info@grigiskes.lt	info@kartonas.lt	info@baltwood.lt
Internet address	www.grigiskes.lt	www.kartonas.lt	www.baltwood.lt
Legal form	Public Limited Liability Company	Public Limited Liability Company	Private Limited Liability Company
Date of registration	23 May, 1991	22 September, 1994	10 April, 2003
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

Status	Subsidiary	Subsidiary	Subsidiary
Name	**Ekotara UAB**	**Naujieji Verkiai UAB**	**Mena Pak OAO**
Company's ID No.	302329061	300015674	00383260
Authorised capital	10.000 LTL	100.000 LTL	511.470 UAH
Shares directly or indirectly controlled by Grigiškės AB	100 %	100 %	93,79 %
Address	Vilniaus str. 10, Grigiškės, Vilnius	Popieriaus str. 15, Vilnius	Koshevovo str. 6, Chernihiv region, Mena, Ukraine
Phone	+370 5 243 58 01	+370 5 243 59 33	+380 4644 21341
Fax	+370 5 243 58 02	+370 5 243 58 02	+380 4644 21084
E-mail	info@grigiskes.lt	info@grigiskes.lt	menapack@ukr.net
Internet address	www.ekotara.lt	-	www.menapack.com.ua
Legal form	Private Limited Liability Company	Private Limited Liability Company	Public Limited Liability Company
Date of registration	10 April, 2009	6 April, 2004	30 December, 1993
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	Chernihiv region, Mena distr. Public administration

Status	Subsidiary	Subsidiary	Subsidiary *
Name	**AGR Prekyba** UAB	**Klaipėda Recycling** UAB	**Grigiškių energija** UAB
Company's ID No.	302416687	302529158	302674488
Authorised capital	10.010.000 LTL	100.000 Lt	10.000 Lt
Shares directly or indirectly controlled by Grigiškės AB	100 %	71,74 %	50 %
Address	Vilniaus str. 10, Grigiškės, Vilnius	Nemuno str. 2, Klaipėda	Vilniaus str. 14, Grigiškės, Vilnius
Phone	+370 5 243 5933	+370 46 395 601	+370 5 243 5933
Fax	+370 5 243 58 02	+370 46 395 600	+370 5 243 58 02
E-mail	vikz@grigiskes.lt	info@kartonas.lt	vikz@grigiskes.lt
Internet address	-	-	-
Legal form	Private Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company
Date of registration	10 July, 2009	16 July, 2010	7 October, 2011
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

4. NATURE OF CORE ACTIVITIES OF THE GROUP COMPANIES

Core business activities of Grigiškės AB are as follows: manufacturing of toilet paper, paper towels and paper napkins, medical cellulose wadding, corrugated board, products from corrugated board, and till December 31, 2011, self-coloured and painted hardboard.

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

Core business activities of Baltwood UAB are as follows: wood processing, manufacturing of container wood, fuel granules and bonded furniture panel. Since January 1, 2012, also produces self-coloured and painted hardboard (see material event announced on 02.01.2012).

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

Core business activities of Ekotara UAB are as follows: manufacturing of corrugated board, packing from corrugated board. The company has not been operating in year 2011.

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 was established on 07.10.2011.

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

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

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

The Company has signed a contract with Finasta AB (financial brokerage company) (Maironio str. 11, Vilnius, tel. (8~5) 203 2233, fax: (8~5) 203 2244, info@finasta.lt) on the handling of securities issued by the Company and payment of dividend to the shareholders for 2004 – 2010 financial years.

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

The Company has signed an engagement letter with SEB Enskilda UAB (Company's ID No. 221949450) on the GRIGISKES AB new shares issuing and selling.

6. AUTHORISED CAPITAL OF THE ISSUER

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

6.1.1. Table. Structure of the authorized capital

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

All shares of the Issuer are fully paid up.

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

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

6.3. Rights and obligations conferred by the shares

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

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

10) to vote at general meetings of the shareholders according to voting rights carried by their shares (each fully paid share of the nominal value of 1 (one) LTL gives its holder one vote at the general meeting);
11) to receive information on the Company according to the procedure laid down in the laws of the Republic of Lithuania and the Articles of Association of the Company;
12) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company manager and Board members of their obligations prescribed by the Law on Companies and other laws of the Republic of Lithuania and the Articles of Association of the Company as well as in other cases laid down by laws of the Republic of Lithuania;
13) to authorize a person to vote on his/her behalf at the general meeting of the shareholders;
14) to exercise other property and non-property rights provided by laws of the Republic of Lithuania.

7. SHAREHOLDERS

7.1. Number of shareholders of the Company

On the 31st of December 2011 there were 2.589 shareholders of Grigiškės AB.

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

7.2. table. Shareholders owning in excess of 5 per cent of the authorised capital of the Issuer on the 31st of December 2011.

Shareholder's name (company's name, type, headquarters address, corporate ID number)	31 December 2011			31 December 2010		
	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %
UAB „Ginvildos investicija“ Turniškių g. 10a-2, Vilnius, 125436533	29.272.228	48,79	48,79	29.272.228	48,79	48,79
Irena Ona Mišeikienė	8.731.686	14,55	14,55	8.731.686	14,55	14,55
Rosemount Holding LLC 3533 Fairview Industrial Drive SE, Salem, OR 97302, United States of America	5.639.967	9,40	9,40	5.639.967	9,40	9,40

7.3. Shareholders holding special controlling rights

There are no shareholders holding special controlling rights.

7.4. Restrictions of the voting rights

There are no restrictions of the voting rights.

7.5. Agreements between/among the shareholders

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

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

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

8.1. Key characteristics of the shares of the Company

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

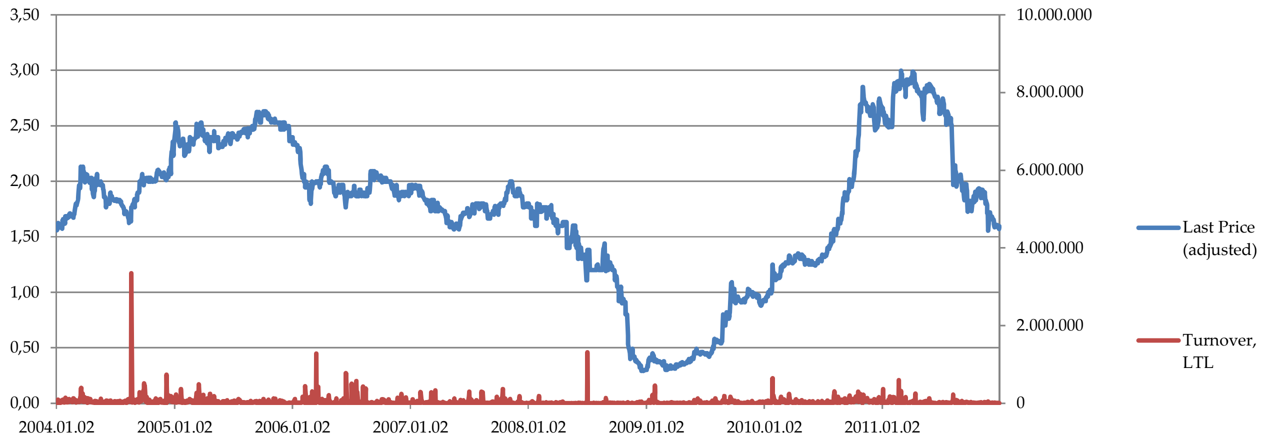
Type of shares	Securities ISIN code	Number of shares	Par value, LTL	Total par value, LTL
Registered ordinary shares	LT0000102030	60.000.000	1	60.000.000

8.2. Share trading information

8.2. table. Share trading information

Reported period	Price, LTL				Turnover, LTL			Total turnover	
	Max.	Min.	Last session	Average	Max.	Min.	Last session	Units	LTL
2008, I Q	1,798	1,598	1,652	2,580	183.621	0	0	167.207	431.407
2008, II Q	1,632	1,110	1,110	1,809	45.478	0	5.910	96.273	174.179
2008, III Q	1,440	1,110	1,140	1,283	1.311.782	0	4.812	1.325.360	1.700.485
2008, IV Q	1,140	0,290	0,300	0,427	42.459	0	6.593	884.565	378.011
2008	**1,798**	**0,290**	**0,300**	**1,085**	**1.311.782**	**0**	**6.593**	**2.473.405**	**2.684.081**
2009, I Q	0,450	0,300	0,310	0,392	458.897	0	0	4.465.664	1.751.743
2009, II Q	0,490	0,330	0,450	0,430	122.162	0	20.205	2.033.965	873.993
2009, III Q	1,090	0,420	1,020	0,698	185.607	0	22.208	2.889.167	2.017.305
2009, IV Q	1,030	0,880	0,930	0,947	62.921	364	5.460	863.978	817.846
2009	**1,090**	**0,300**	**0,930**	**0,533**	**458.897**	**0**	**5.460**	**10.252.774**	**5.460.887**
2010, I Q	1,330	0,920	1,270	1,200	643.163	0	14.597	3.109.465	3.731.893
2010, II Q	1,350	1,240	1,340	1,297	98.746	0	25.194	1.017.209	1.319.328
2010, III Q	2,020	1,320	1,950	1,686	299.041	0	38.734	1.817.780	3.065.303
2010, IV Q	2,850	2,000	2,676	2,512	293.473	0	7.054	1.994.606	5.010.498
2010	**2,850**	**0,920**	**2,676**	**1,653**	**643.163**	**0**	**7.054**	**7.939.060**	**13.127.022**
2011, I Q	2,997	2,486	2,883	2,746	593.054	0	22.989	1.221.311	3.354.105
2011, II Q	2,987	2,555	2,624	2,822	251.419	360	8.948	463.059	1.306.703
2011, III Q	2,745	1,726	1,823	2,076	223.677	0	9.137	753.319	1.564.106
2011, IV Q	1,937	1,554	1,595	1,746	41.693	0	4.142	328.401	573.445
2011	**2,997**	**1,554**	**1,595**	**2,458**	**593.054**	**0**	**4.142**	**2.766.090**	**6.798.360**

8.2. figure. Share price and turnover 01.01.2004 – 31.12.2011.



8.3. Capitalisation of the Company's shares

8.3. table. Capitalisation of the Company's shares

Last session date	Capitalisation, LTL
28.12.2007	**107.880.000**
31.03.2008	99.120.000
30.06.2008	66.600.000
30.09.2008	68.400.000
31.12.2008	**18.000.000**
31.03.2009	18.600.000
30.06.2009	27.000.000
30.09.2009	61.200.000
31.12.2009	**55.800.000**
31.03.2010	76.200.000
30.06.2010	80.400.000
30.09.2010	117.000.000
31.12.2010	**160.560.000**
31.03.2011	172.980.000
30.06.2011	157.440.000
30.09.2011	109.380.000
31.12.2011	**95.700.000**

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

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

8.5. Own shares buy out

The Company has not bought out own shares.

8.6. Restrictions on shares transfer.

There are no restrictions on shares transfer.

8.7. Official takeover bid

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

9. EMPLOYEES

Over the year 2011 the number of the Group employees fluctuated naturally: in some companies the number of employees has decreased and in some has increased.

9.1. table. Number of employees of the Group on the 31st of December

	2011	2010
Number of employees	997	940

9.2. table. Number of employees of the Company on the 31st of December

	2011	2010
Number of employees	283	448

The cause of the decrease of number of Company's employees on the 31st of December 2011, compared to on the 31st of December 2010, is the decision of December 1, 2011 of the Board of GRIGISKES AB to transfer one of segments of GRIGISKES AB activities – the production of wood fiber board – to 100% owned subsidiary Baltwood UAB, in exchange for newly issued shares of the subsidiary.

9.3. table. Number of employees of the Group, average salary and grouping of employees by education in 2011.

Employees	Average salary	Employees by education				
		University	College	Secondary	Basic	Elementary
Workpeople	1.952	47	177	471	66	9
Managers	5.775	77	16	1	-	-
Specialists	2.885	103	26	4	-	-
Total	**2.428**	**227**	**219**	**476**	**66**	**9**

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

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

9.5. table. Number of employees of the Company, average salary and grouping of employees by education in 2011.

Employees	Average salary	Employees by education				
		University	College	Secondary	Basic	Elementary
Workpeople	2.444	12	56	114	11	-
Managers	6.032	35	4	-	-	-
Specialists	3.179	39	9	3	-	-
Total	**3.014**	**86**	**69**	**117**	**11**	**0**

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

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

10. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE ISSUER

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

11. SIGNIFICANT AGREEMENTS

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

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

12. INFORMATION ON THE MANAGING BODIES OF THE ISSUER

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

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

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

12.1. Members of the managing bodies

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

Full names	Positions	Capital share and votes, %
SUPERVISORY COUNCIL		
Norimantas Stankevičius	Chairman	-
Algimantas Goberis	Member	-
Romualdas Juškevičius	Member	-
Tautvilas Adamonis	Member	-
Daiva Duksienė	Member	-
BOARD		
Gintautas Pangonis	Chairman	0,22
Nina Šilerienė	Member	0,07
Vigmantas Kažukauskas	Member	0,33

Full names	**Positions**	**Capital share and votes, %**
Normantas Paliokas	Member	-
Vytautas Juška	Member	-
	ADMINISTRATION	
Gintautas Pangonis	Director General	0,22
Nina Šilerienė	Director of Finance Department	0,07
Vigmantas Kažukauskas	Director for Business Development	0,33
Vytautas Juška	Purchasing and Logistic Director	-

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

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

Employers	**Positions**
Grigiškės AB	Director general, chairman of the board

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

Employers	**Positions**
Grigiškės AB	Director of Finance Department, member of the board

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

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

Name	**Business participation**		**Capital interest**	
	Name of enterprise, agency and organisation	**Positions**	**Name of enterprise, agency and organisation**	**Capital share and votes, %**
Norimantas Stankevičius	Didma UAB	Project director	Didma UAB	51,00
	Naras UAB	Director	Naras UAB	62,48
			Bakenas, UAB	100,00
			Statybų namai, UAB	62,00
			Technikos namai, UAB	62,00
			Ginvildos investicija UAB	13,00
	Baltwood UAB	Member of the board		
	Grigiškės AB	Chairman of the supervisory council		
Algimantas Goberis	Grigiškės AB	Member of the supervisory council		
Romualdas Juškevičius	Grigiškės AB	Member of the supervisory council		
Tautvilas Adamonis	Remada UAB	Director General	Remada UAB	100,0

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
	Grigiškės AB	Member of the supervisory council		
	Remados statyba UAB	Director	Remados statyba UAB	100,0
Daiva Duksienė	Grigiškės AB	Member of the supervisory council		
Gintautas Pangonis			Ginvildos investicija UAB	79,0
	Grigiškės AB	Director General	Grigiškės AB	0,22
	Grigiškės AB	Chairman of the board		
	Klaipėdos kartonas AB	Chairman of the board		
	Naujieji Verkiai UAB	Chairman of the board		
	Baltwood UAB	Chairman of the board		
	Ekotara UAB	Chairman of the board		
	Grigiškių energija UAB	Chairman of the board		
	Mena Pak OAO	Member of the Supervisory council		
Normantas Paliokas	Didma UAB	Head of Vilnius Representative Office		
	Ginvildos investicija UAB	Director		
	Baltwood UAB	Member of the board		
	Grigiškės AB	Member of the board		
Vigmantas Kažukauskas	Grigiškės AB	Director for Business Development	Grigiškės AB	0,33
	Grigiškės AB	Member of the board		
	Klaipėdos kartonas AB	Member of the board		
	Naujieji verkiai UAB	Director		
	Naujieji Verkiai UAB	Member of the board		
	Ekotara UAB	Member of the board		
	Grigiškių energija, UAB	Director		
	Grigiškių energija, UAB	Member of the board		
	AGR Prekyba UAB	Director		
Vytautas Juška	Grigiškės AB	Purchasing and Logistic Director		
	Grigiškės AB	Member of the board		

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
	Grigiškių energija UAB	Member of the board		
Nina Šilerienė	Grigiškės AB	Director of Finance Department	Grigiškės AB	0,07
	Grigiškės AB	Member of the board		
	Klaipėdos kartonas AB	Member of the board		
	Naujieji Verkiai UAB	Member of the board		
	Baltwood UAB	Member of the board		
	Ekotara UAB	Member of the board		
	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 Grigiskes AB was elected on the 26th of April 2011 for a 4 years' period (ending in 2015). The Board of the Company was elected on the 26th of April 2011 for a 4 years' period (ending in 2015).

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

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

	Salaries LTL	Tantiemme LTL	Dividends LTL	Other payments LTL
Totally for all members of the supervisory council	-	20.000	-	-
In average per one member of the supervisory council	-	4.000	-	-
Totally for all members of the board	-	80.000	-	-
In average per one member of the board	-	16.000	-	-
Totally for all members of the administration	600.943	-	7.428	-
In average per one member of the administration	150.236	-	2.476	-

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

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

None.

13. REVIEW OF ACTYVITY OF THE GROUP COMPANIES

13.1. Material events in the Issuer's activities

February On the 18th of February 2011 Grigiskes AB signed a proactive reliability maintenance service agreement with the company SKF Lietuva UAB. The aim of the agreement is to improve the reliability and efficiency of existing production assets. This contract will last over a period of one year and is part of the company's strategy to improve their market position.

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

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

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

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

The Date of the Meeting – the 26th of April, 2011, Tuesday.

Time – 11 a.m., place - Vilniaus g. 10, Grigiškės, Vilniaus m. sav., the first floor of Company's administration building.

Registration of shareholders starts at 10.30 a.m., ends at 10.55 a.m.

The General Meeting of Shareholders' accounting day is 18 April 2011.

The shareholders' proprietary rights accounting day is 10 May 2011.

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

1. Consolidated annual report of the Company for the year 2010.
2. Auditor's report for the year 2010.
3. Approval of the set of consolidated annual financial statements and annual financial statements of the Company for the year 2010.
4. The appropriation of the Company's profit for the year 2010.
5. Election of the Company's Supervisory Board members.

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

1. Consolidated annual report of the Company for the year 2010.
2. Auditor's report for the year 2010.
3. Approval of the set of consolidated annual financial statements and annual financial statements of the Company for the year 2010.
4. The appropriation of the Company's profit for the year 2010.
5. Election of the Company's Supervisory Board members.
6. Increase of the authorised capital of the Company with additional contributions.

7. Withdrawal of the pre-emptive right of the Company's shareholders to acquire newly issued shares of the Company; granting of the right to acquire newly issued shares of the Company.
8. Amendments to the Articles of Association of the Company and approval of the new wording of the Articles of Association.

Please be informed that on the 29th November, 2010 the management of GRIGISKES AB began consultations with financial services firms on the ability to raise capital for future investment projects. On the 28th of January, 2011 the GRIGISKES AB and SEB Enskilda UAB (company No. 221949450), has signed an engagement letter on the GRIGISKES AB new shares issuing and selling. On the 26th November, 2010 and the 28th of January, 2011 GRIGISKES AB sent two letters about material events with a similar content of confidential information to the Securities Commission which from the date of this communication is to be regarded as publicly disclosed.

GRIGISKES AB from the largest shareholder of the Company, Ginvildos investicija UAB, which holds 48.79 percent of the Company's shares and votes, received a letter with the list of the nominees to the Company's Supervisory council.

Ginvildos investicija UAB, as a shareholder of GRIGISKES AB proposes to the Annual General Meeting of Shareholders to be held on 26 April 2011, the following nominees to be elected to the Supervisory council of GRIGISKES AB: mr. Norimantas Stankevičius, mr. Tautvilas Adamonis, mr. Romualdas Juškevičius, mrs. Daiva Duksienė and mr. Algimantas Goberis.

Grigiskes AB (hereinafter, the "Company") additionally to the annual report for the year 2010, announced on 11 April 2011, has prepared the presentation in which the data on the Company's activities during the year 2010 and other information, related to the Company is provided. The indicated information is being announced publicly and will be presented to the shareholders of the Company during the Ordinary General Shareholders Meeting of shareholders to be held on the 26th of April, 2011, at 11 a.m.

The General Meeting of shareholders of Grigiskes AB was held on 26-04-2011. The meeting heard the consolidated annual report of the Company for the year 2010 and the Auditor's report for the year 2010 and made following resolutions:

- to approve the set of consolidated annual financial statements and annual financial statements of the Company for the year 2010;
- to approve the appropriation of Company's profit for the year 2010: for dividends to distribute LTL 0,02 (0,006 EUR) per ordinary registered share and to pay in total LTL 1 200 000 (374.544 EUR) of dividends, to appropriate LTL 75.985 (22.007 EUR) to the legal reserves and to appropriate LTL 100.000 (28.962 EUR) for the other payments (tantiemes).
- to elected to the Supervisory council of GRIGISKES AB: mr. Norimantas Stankevičius, mr. Tautvilas Adamonis, mr. Romualdas Juškevičius, mrs. Daiva Duksienė and mr. Algimantas Goberis.
- To increase the authorised capital of the Company with additional contributions from LTL 60,000,000 (sixty million litas) to LTL 70,000,000 (seventy million litas), by issuing no more than 10,000,000 (ten million) ordinary

registered shares LTL 1 (one litas) par value each (hereinafter, the "New Shares").

The minimal issue price of each newly issued ordinary registered share of the Company, the total number of which may be up to 10,000,000, is LTL 1 (one litas). The total minimal issue price of the New Shares is up to LTL 10,000,000 (ten million litas), depending on the final number of the issued New Shares.

If not all the New Shares are subscribed for within the period intended for subscription for the shares, the authorised capital of the Company will be able to be increased by the total par value of the newly subscribed shares. In this case, the Board of the Company will have the discretion to decide whether, in case not all the New Shares are subscribed for, the increase of the authorised capital of the Company is to be regarded as having taken place and (if yes) the authorised capital of the Company must be increased by the total par value of the newly subscribed shares.

To instruct the Board of the Company to draft and establish the detailed conditions and procedure of subscription and payment for the New Shares and to determine other conditions of offering the new share issue that have not been discussed in the resolution of the general meeting of shareholders (including, without limitation, the final issue price of the New Shares, the final number of the issued New Shares, etc.).To initiate the admission of all the newly issued shares of the Company to the Main List of AB NASDAQ OMX Vilnius and to authorise the Board of the Company to perform any and all related actions, including, without limitation, to approve and to present to the Securities Commission of the Republic of Lithuania the prospectus for admission of the New Shares to the regulated market (the Main List of AB NASDAQ OMX Vilnius) for approval.

- Following paragraph 1(13) of Article 20 and paragraph 5 of Article 57 of the Law of the Republic of Lithuania on Companies, also referring to the announcement of the Board of the Company regarding the withdrawal of the pre-emptive right of the Company's shareholders to acquire newly issued shares of the Company and granting of the right to acquire the shares, to withdraw the pre-emptive right of all the shareholders of the Company to acquire up to 10,000,000 (ten million) ordinary registered shares issued by the Company.

The Company is considering raising additional equity capital via a private placement to institutional investors to finance expansion of its operations and to strengthen its shareholders' base. To accomplish this goal, the Company proposes the increase of the authorised capital of the Company as well as withdrawal of the pre-emptive right of its current shareholders.

To analyse the available options and to secure the required assistance in placing the shares, the Company has retained UAB "SEB Enskilda", a private limited liability company, legal entity code 221949450, the address of the registered office at Gedimino pr. 12, Vilnius (hereinafter, "SEB Enskilda"), to act as an Arranger and a Lead Manager of the potential transaction.

The Company is proposing to undertake a private placing to institutional investors, which it considers to be more appropriate and practical alternative for raising additional equity than a public offering, which would have to be executed in case the pre-emptive right of the current shareholders of the Company were exercised. Furthermore, the indicated structuring of the transaction (including withdrawal of the pre-emptive right) would ensure that the Company is flexible with its timing as well as with its length, as the transaction would not be subject to issue and approval of the prospectus as well as to certain other restrictions on the earliest date of starting the offering and the shortest period of subscription for shares.

Due to the nature of the envisaged transaction, SEB Enskilda may need to borrow a certain amount of existing shares from one of the current shareholders to facilitate settlement of the transaction. It is intended that such borrowed shares will be used for settlement with investors, whilst the Arranger will use the proceeds to subscribe for the new issue shares and return the shares to the lender.

For the reasons indicated above and as a technical measure, it is sought to withdraw the pre-emptive right of the current shareholders of the Company to acquire the shares to be newly issued and to grant the right to acquire such shares to SEB Enskilda. It is hereby suggested to grant SEB Enskilda the right to subscribe for and acquire newly issued shares of the Company (up to 10,000,000) in its contemplated role of the Arranger.

Furthermore, for the purpose of the aforementioned potential transactions, a current shareholder of the Company UAB "GINVILDOS INVESTICIJA", legal entity code 125436533, the address of the registered office at Turniškių st. 10A-2, Vilnius, consented to lend a relevant amount of the outstanding and paid shares of the Company, equal to the maximum number of the New Shares to be issued during this increase of the authorised capital of the Company (i.e. up to 10,000,000 shares), to SEB Enskilda in its contemplated role of the Arranger.

- With regard to the adopted resolution to increase the authorised capital of the Company, to amend paragraphs 3.1 and 4.1 of the Articles of Association of public limited liability company "GRIGIŠKĖS" and to read them as follows:

  "3.1. The authorised capital of the Company shall be equal to LTL 70,000,000 (seventy million litas)."

  "4.1. The authorised capital of the Company shall be divided into 70,000,000 (seventy million) ordinary registered shares. The par value of one share shall be equal to LTL 1 (one litas)."

  If not all the New Shares are subscribed for during the intended share subscription period and the Board of the Company decides to hold that the increase of the authorised capital of the Company has still taken place, the Board of the Company will amend the amount of the authorised capital and the number of shares indicated in the Articles of Association of the Company accordingly.

With regard to the resolution above as well as the requirements of the new edition of the Law on Companies the Republic of Lithuania, came into effect from October 1, 2010, to amend the Articles of Association of public limited liability company "GRIGIŠKĖS", approving their new wording, and to authorise the General Manager of the Company Gintautas Pangonis to sign the Articles of Association.

The Council of Supervisors of GRIGISKES AB (hereinafter - the Company), elected in the General Meeting of Shareholders on April 26, 2011, had its first meeting on the same day. In the first meeting of the Company's Council of Supervisors, the following decisions were made:

- Mr. Norimantas Stankevičius was appointed as the Chairman of the Council of Supervisors of GRIGISKES AB;
- Mr. Gintautas Pangonis, Mrs. Nina Šilerienė, Mr. Vigmantas Kažukauskas, Mr. Normantas Paliokas, and Mr. Vytautas Juška were elected to the Board of the Company for a 4-year term.

Elected members held the first meeting of the Board on April 26, 2011, in which Mr. Gintautas Pangonis was appointed as the Chairman of the Board of the Company.

May GRIGISKES AB has completed an investment project "The modernisation of the heat sector through the greater use of renewable energy resources" No. VP3-3.4-ŪM-02-K-01-006. The company has successfully built and started to operate a wood fuel steam boiler of 17.5 MWh of power. For the implementation of the project the amount of LTL 17.6 mio (EUR 5,1 mio) was spent. The Cohesion Fund of the European Union and the budget of Lithuanian Republic devoted the supporting grant of LTL 8.8 mln. (EUR 2,7 mln.) for the project.

Upon implementation of this project, GRIGISKES AB contributes to the Ministry of National Energy Strategy and the Ministry of National Sustainable Development Strategy set out the objectives of: renewable energy resources, the country's dependence on fuel imports.

After the new wood fuel steam boiler which was produced by Sweden company „Järnforsen Energi System AB" has started to operate, the hardboard business of GRIGISKES AB, as the greatest consumer of heat energy (steam) of the company, became fully independent from the growth of prices of imported natural gas.

On 16 May 2011 the Securities Commission of the Republic of Lithuania approved the prospectus of admission of up to 10,000,000 shares of Grigiskes AB to trading on the Main List of AB NASDAQ OMX Vilnius (see attachment).

Taking into consideration that the prospectus will be used solely for the purpose of admission of shares of the company to trading on the regulated market as well as that the prospectus was prepared in Lithuanian language, Grigiskes AB deems it not to be practicable to translate the prospectus into English language. Thus, the attached prospectus is provided in Lithuanian language.

August Over the six months of 2011 the Group which consists of producing companies Grigiskes AB, Baltwood UAB, Klaipedos kartonas AB and Mena Pak OAO reached a tunover of LTL 154.9 Mio (EUR 44.9 Mio), which is by LTL 51.4 Mio (EUR 14.9 Mio) or 49.7 % higher than it was reached over the same period of 2010.

The Group's profit before taxes reached LTL 4.5 Mio (EUR 1.3 Mio) and is by LTL 1.5 Mio (EUR 0.4 Mio) lower that it was over the same period of 2010.
Over the six months of 2011 the Grigiskes AB reached a tunover of LTL 81.2 Mio (EUR 23.5 Mio), which is by LTL 22.6 Mio (EUR 6.5 Mio) or 38.6 % higher than it was reached over the same period of 2010.
The Company's profit before taxes reached LTL 3.1 Mio (EUR 0.9 Mio) and is by LTL 2.0 Mio (EUR 0.6 Mio) higher that it was over the same period of 2010.

October On 06.10.2011 GRIGISKES AB and Medienos plausas AB, the company in bankruptcy, has signed a lease contract for production line of soft wood fiber board (further - softboard). GRIGISKES AB plans to sell over 1000 m^3 of softboard products per month produced by this line.
The day of expiry of the lease contract is the day of sale, transfer or return of the mentioned equipment according to the Enterprise Bankruptcy Law of the Republic of Lithuania.

In order for more transparent management of GRIGISKES AB activities and subsidiaries the subsidiary company Grigiskiu energija UAB was established by GRIGISKES AB. It is planned that this new company will run a business of heat production and sale.

November Over the nine months of 2011 the Group which consists of producing companies Grigiskes AB, Baltwood UAB, Klaipedos kartonas AB and Mena Pak OAO reached a turnover of LTL 235.2 Mio (EUR 68.1 Mio), which is by LTL 65.1 Mio (EUR 18.9 Mio) or 38.3 % higher than it was reached over the same period of 2010.
The Group's profit before taxes reached LTL 8.3 Mio (EUR 2.4 Mio) and is by LTL 1.4 Mio (EUR 0.4 Mio) higher that it was over the same period of 2010.
Over the nine months of 2011 the Grigiskes AB reached a turnover of LTL 120.4 Mio (EUR 34.9 Mio), which is by LTL 29.6 Mio (EUR 8.6 Mio) or 32.6 % higher than it was reached over the same period of 2010.
The Company's profit before taxes reached LTL 4.6 Mio (EUR 1.33 Mio) and is by LTL 3.3 Mio (EUR 0.96 Mio) higher that it was over the same period of 2010.

The Extraordinary General Shareholders Meeting of Grigiskes AB, legal entity code 110012450, registered office: Vilniaus g. 10, Grigiškės, LT-27101, Vilniaus m. sav. (hereinafter- Company), is convened by initiative and the decision of the Board.
The Date of the Meeting – the 19th of December, 2011, Monday.
Time – 11 a.m., place - Vilniaus g. 10, Grigiškės, Vilniaus m. sav., the first floor of Company's administration building.
Registration of shareholders starts at 10.30 a.m., ends at 10.55 a.m.
The Board proposed the following agenda for the Extraordinary General Meeting of Shareholders:
1) Increase of the authorised capital of the Company with additional contributions.
2) Withdrawal of the pre-emptive right of the Company's shareholders to acquire newly issued shares of the Company; granting of the right to acquire newly issued shares of the Company.
3) Amendments to the Articles of Association of the Company and approval of the new wording of the Articles of Association.

The Board of GRIGISKES AB is asking the company's shareholders to extend the validity period for permission to release a new share issue. If shareholders approve, the investment bank SEB Enskilda will act as an intermediary in the release of a planned total of 10 million ordinary registered shares at a nominal value of 1 LTL each. The company will use the attracted funds for a more rapid development. In addition to the direct goal of attracting funds for development, the company also has long-term objectives in the capital markets, i.e. strengthening the base of investors, increasing the visibility of shares and their liquidity on the exchange.

GRIGISKES AB decided in April this year to release a new share issue, but it was decided to postpone the distribution of the issue when the finance markets became overwhelmed with negative expectations. The company and its advisers decided to observe and analyse the situation during the nearest six months, and attract financial investors under favourable terms when the conditions become favourable.

"The situation in financial markets at the moment is tense and it is not a good moment to release a new share issue; however, the situation is changing, and we, with the approval of shareholders, are determined to be fully prepared to implement our plans soon as the proper conditions develop in the market", says GRIGISKES AB General Manager Gintautas Pangonis.

The head of the company says that GRIGISKES, a group of companies that produces toilet paper, cardboard and wood products, plans to dedicate all the extra capital raised to investments. According to the investment program, the group plans to invest 44.9 million litas in toilet paper production and 17.3 million litas in cardboard packaging material production. The distribution of the issue would enable the implementation of the investment programme during 2012–2014. The company is also open for an alternative scenario in which the investment programme would be implemented over a longer period of time from the operational money flows of the Company.

Currently, the company is successfully funding expansion mostly from its own funds. A new department for cardboard packaging production is already being built. In the 1st quarter of 2012 it is intended to start a new cardboard corrugation line and new cardboard box production lines.

The consumption of toilet paper in the Baltic countries is far lower than in more established European markets. For example, in Scandinavian countries, each person uses per year an average of 17–19 kg of toilet paper, whereas in Lithuania the statistic is just 6.5 kg. In Lithuania the use of cardboard packaging is also only about one quarter of what it is in the more established European markets.

"These figures show that the market potential of the Baltic and neighbouring countries is still not yet realised. We see great potential for growth here, which is why we are seeking to increase the competitiveness of our products through investment and expansion, thereby lessening business risk and strengthening our position in the regional markets", says GRIGISKES AB General Manager Gintautas Pangonis.

When launched in February this year new biofuel-powered 18 MW boiler, GRIGISKES AB became less dependent on imported natural gas and its possible price rises. The wood-based biofuel used for the production of steam is only half the price of natural gas imported from Russia.

Over the 9 months of this year, the GRIGISKES group of companies achieved sales turnover of 235.2 million litas and earned 8.3 million litas in profits before tax. Over the same period the sale of GRIGISKES AB products reached 120.4 million litas, with profits before tax of 4.6 million litas.
In comparison with the same period last year (2010), the GRIGISKES group of companies achieved an increase in sales worth 65.1 million litas, and 29.6 million litas for GRIGISKES AB itself. Compared with 9-month results for 2010, the group's profits increased by 1.4 million litas, and 3.3 million litas for GRIGISKES AB itself.
The GRIGISKES group of companies consists of the manufacturing firms GRIGISKES AB, Baltwood UAB, Klaipėdos kartonas AB, and Mena Pak OAO.

GRIGISKES AB informs that all the operations of the Group of GRIGISKES AB are financed from accounts in other banks operating in the territory of the Republic of Lithuania.
Till 16.11.2011 a negligible number of customers of all Group companies made settlement from their accounts in bank SNORAS AB. Sales to these customers accounted for a negligible share of each Group company's turnover.
In addition, GRIGISKES AB Group is insuring the potential customer's creditworthiness.
For these reasons, the decision of the Government of Lithuania to take over 100 per cent of shares of bank SNORAS AB for the needs of the society has no significant direct effect on activities and results of GRIGISKES AB or other companies of the Group.

December In order to increase efficiency of manufacturing processes, to optimize the acquisition of raw materials, production supplies, production and logistics processes, to reduce costs and increase profitability of business segments, on the 1st of December 2011 the Board of GRIGISKES AB decided to transfer one of segments of GRIGISKES AB activities – the production of wood fiber board – to 100% owned subsidiary Baltwood UAB, in exchange for newly issued shares of the company.
Along with the activity to be transferred GRIGISKES AB will pass the property, rights and obligations relating to processing of the wood fiber boards, including but not limited to, real estate and equipment needed the activities to conduct, commitment to employees and other rights and obligations arising from existing agreements.
GRIGISKES AB prearranges to implement the transfer of a part of activities (wood fiber board manufacture) to Baltwood UAB in the beginning of 2012.
After the transfer of a part of activities of GRIGISKES AB both of mentioned companies will continue to operate at the same address as before the transfer – in Vilniaus g. 10, Grigiškių m., Vilniaus m. sav. The main activity of GRIGISKES AB will remain production of tissue paper products and corrugated cardboard packaging production and Baltwood UAB will focus on activities related to wood processing, here will continue to work skilled workers currently employed in GRIGISKES AB in activity planned to be transferred.
The Board of GRIGISKES AB believes that the fact of transferring of the part of activities of GRIGISKES AB will not have significant impact on financial indicators of the Group of GRIGISKES AB. However, it will help to optimize the management of

Group's activities, which is likely to result in a higher profitability of activities and return to shareholders.

The Extraordinary General Meeting of shareholders of GRIGISKES AB was held on 19-12-2011. The Meeting made following resolutions:

- Whereas following paragraph 7 of Article 49 of the Law of the Republic of Lithuania on Companies, the decisions of the General Meeting of Shareholders regarding the increase of the authorised capital of the Company adopted on 26 April, 2011, (questions 6-8 of the agenda of the said General Meeting of Shareholders) are deemed to be void from 26 October, 2011, but the intentions of the Company regarding the issue and placement of the new issue of Company's shares as provided in the said decisions of the General Meeting of Shareholders have not changed, to increase the authorised capital of the Company with additional contributions from LTL 60,000,000 (sixty million litas) to LTL 70,000,000 (seventy million litas), by issuing no more than 10,000,000 (ten million) ordinary registered shares LTL 1 (one litas) par value each (hereinafter, the "New Shares").
  The minimal issue price of each newly issued ordinary registered share of the Company, the total number of which may be up to 10,000,000, is LTL 1 (one litas). The total minimal issue price of the New Shares is up to LTL 10,000,000 (ten million litas), depending on the final number of the issued New Shares.
  If not all the New Shares are subscribed for within the period intended for subscription for the shares, the authorised capital of the Company will be able to be increased by the total par value of the newly subscribed shares. In this case, the Board of the Company will have the discretion to decide whether, in case not all the New Shares are subscribed for, the increase of the authorised capital of the Company is to be regarded as having taken place and (if yes) the authorised capital of the Company must be increased by the total par value of the newly subscribed shares.
  To instruct the Board of the Company to draft and establish the detailed conditions and procedure of subscription and payment for the New Shares and to determine other conditions of offering the new share issue that have not been discussed in the resolution of the general meeting of shareholders (including, without limitation, the final issue price of the New Shares, the final number of the issued New Shares, etc.).
  To initiate the admission of all the newly issued shares of the Company to the Main List of AB NASDAQ OMX Vilnius and to authorise the Board of the Company to perform any and all related actions. New Shares will be admitted to the said Main List of AB NASDAQ OMX Vilnius based on the Prospectus for admission of the shares of the Company to the Main List of AB NASDAQ OMX Vilnius approved by the Securities Commission of the Republic of Lithuania on 16 May, 2011 (resolution No. 2K-101).
- Following paragraph 1(13) of Article 20 and paragraph 5 of Article 57 of the Law of the Republic of Lithuania on Companies, also referring to the announcement of the Board of the Company regarding the withdrawal of the pre-emptive right of the Company's shareholders to acquire newly issued shares of the Company and granting of the right to acquire the shares, to

withdraw the pre-emptive right of all the shareholders of the Company to acquire up to 10,000,000 (ten million) ordinary registered shares issued by the Company.

The Company is considering raising additional equity capital via a private placement to institutional investors to finance expansion of its operations and to strengthen its shareholders' base. To accomplish this goal, the Company proposes the increase of the authorised capital of the Company as well as withdrawal of the pre-emptive right of its current shareholders.

To analyse the available options and to secure the required assistance in placing the shares, the Company has retained UAB "SEB Enskilda", a private limited liability company, legal entity code 221949450, the address of the registered office at Gedimino pr. 12, Vilnius (hereinafter, "SEB Enskilda"), to act as an Arranger and a Lead Manager of the potential transaction.

The Company is proposing to undertake a private placing to institutional investors, which it considers to be more appropriate and practical alternative for raising additional equity than a public offering, which would have to be executed in case the pre-emptive right of the current shareholders of the Company were exercised. Furthermore, the indicated structuring of the transaction (including withdrawal of the pre-emptive right) would ensure that the Company is flexible with its timing as well as with its length, as the transaction would not be subject to issue and approval of the prospectus as well as to certain other restrictions on the earliest date of starting the offering and the shortest period of subscription for shares.

Due to the nature of the envisaged transaction, SEB Enskilda may need to borrow a certain amount of existing shares from one of the current shareholders to facilitate settlement of the transaction. It is intended that such borrowed shares will be used for settlement with investors, whilst the Arranger will use the proceeds to subscribe for the new issue shares and return the shares to the lender.

For the reasons indicated above and as a technical measure, it is sought to withdraw the pre-emptive right of the current shareholders of the Company to acquire the shares to be newly issued and to grant the right to acquire such shares to SEB Enskilda. It is hereby suggested to grant SEB Enskilda the right to subscribe for and acquire newly issued shares of the Company (up to 10,000,000) in its contemplated role of the Arranger.

Furthermore, for the purpose of the aforementioned potential transactions, a current shareholder of the Company UAB "GINVILDOS INVESTICIJA", legal entity code 125436533, the address of the registered office at Turniškių st. 10A-2, Vilnius, consented to lend a relevant amount of the outstanding and paid shares of the Company, equal to the maximum number of the New Shares to be issued during this increase of the authorised capital of the Company (i.e. up to 10,000,000 shares), to SEB Enskilda in its contemplated role of the Arranger.

- With regard to the adopted resolution to increase the authorised capital of the Company, to amend paragraphs 3.1 and 4.1 of the Articles of Association of public limited liability company "GRIGISKES" and to read them as follows:

"3.1. The authorised capital of the Company shall be equal to LTL 70,000,000 (seventy million litas)."
"4.1. The authorised capital of the Company shall be divided into 70,000,000 (seventy million) ordinary registered shares. The par value of one share shall be equal to LTL 1 (one litas)."
If not all the New Shares are subscribed for during the intended share subscription period and the Board of the Company decides to hold that the increase of the authorised capital of the Company has still taken place, the Board of the Company will amend the amount of the authorised capital and the number of shares indicated in the Articles of Association of the Company accordingly.
To amend paragraphs 5.1 and 9.1 of the Articles of Association of public limited liability company "GRIGISKES" and to read them as follows:
„5.1. The Company achieves civil rights, assumes civil duties and implements them through its bodies. Company's Organs:
5.1.1. General Meeting of Shareholders;
5.1.2. Supervisory Board;
5.1.3. Board;
5.1.4. Company manager – President."
„9.1. The Company manager – President – is a single-person management body of the Company. The manager of the Company organises and executes commercial business activities of the Company. In his activities, the manager of the Company shall be guided by laws and other legal acts, the Articles of Association of the company, decisions of the General Meeting of Shareholders, decisions of the Supervisory Board and the Board, and his job description."
With regard to the resolution above, as well as the requirements of the new edition of the Law of the Republic of Lithuania on Companies which came into effect from 5 July, 2011 and Statistical Classification of Economic Activities (NACE rev. 2.) to amend the Articles of Association of public limited liability company "GRIGISKES", approving their new wording, and to authorise the General Manager of the Company Gintautas Pangonis to sign the Articles of Association.
If not all the New Shares are subscribed for during the intended share subscription period and / or due to any reasons the Board of the Company decides to hold that the increase of the authorised capital of the Company has not taken place, the Board of the Company will indicate in the Articles of Association of the Company the amount of the authorised capital and the number of shares indicated in the valid Articles of Association of the Company and submit the amended Articles of Association to the manager of the Register of Legal Entities.

13.2. Newest events in the Issuer's activities

January. Implementing the decision of December 1, 2011 of the Board of GRIGISKES AB to transfer one of segments of GRIGISKES AB activities – the production of wood fiber board – to 100% owned subsidiary Baltwood UAB, in exchange for newly issued shares of the company, on December 31,

2011 GRIGISKES AB and Baltwood UAB signed an agreement of transferring of the part of activities.
As it was mentioned, the Board of GRIGISKES AB believes that the fact of transferring of the part of activities of GRIGISKES AB will not have significant impact on financial indicators of the Group of GRIGISKES AB.

January. The GRIGISKES AB Group reached the goals of 2011. According to unaudited data over the twelve months of 2011 the sales turnover of the Group which consists of the production company GRIGISKES AB, Baltwood UAB, Klaipedos kartonas AB, Mena Pak OAO and company engaged in the waste paper business of Klaipeda recycling UAB reached LTL 308 Mio. (EUR 89.2 Mio.) which is by LTL 8 Mio. (EUR 2.3 Mio.) or 2.7% higher than proclaimed forecasted turnover for 2011.
Over the twelve months of 2011 the turnover of GRIGISKES AB outmeasured LTL 159 Mio. (EUR 64 Mio.) and was by LTL 14 Mio. (EUR 4.1 Mio.) or 9.7% higher than proclaimed forecasted turnover for 2011.
On January 9, 2012 the Board meeting approved a budget for the year 2012.
It is planned that The Group which consists of companies GRIGISKES AB, Baltwood UAB, Klaipedos kartonas AB, Klaipeda Recycling UAB and Mena Pak OAO in the year 2012 will reach a turnover of LTL 322 Mio. (EUR 93.3 Mio), which is LTL 22 Mio (EUR 6.4 Mio) or 7.3% over the turnover of 2011. The Group's profit before taxes will reach LTL 15 Mio (EUR 4.3 Mio) and will be LTL 3 Mio (EUR 0.9 Mio) or 25% higher than it is expected for the year 2011.
It is also planned that GRIGISKES AB in the year 2012 will reach a turnover of LTL 117 Mio (EUR 33.9 Mio) and will be less by LTL 42 Mio (EUR 12.2 Mio) than not audited sales of the year 2011 are. The company will earn profit before taxes of LTL 4.6 Mio (EUR 1.3 Mio) which will be by LTL 0.2 Mio (EUR 0.1 Mio) less than it is expected for the year 2011.
In planning the activities for the year 2012 among the other factors the Company has evaluated the impact of on December 2, 2011 disclosed and on December 31, 2011 implemented transference of a part of activities (wood fiber board manufacture) to a subsidiary Baltwood UAB. Up to 31.12.2011 GRIGISKES AB had three main operating business units – reportable segments: „Paper and paper products", „Hardboard and hardboard products" and also „Corrugated cardboard and related products" and since the year 2012 company will have two business units – reportable segments: „Paper and paper products" and „Corrugated cardboard and related products". Namely the mentioned transference has led to the reduction of forecasted turnover by 26.4 percent and profit before taxes by 4.2 percent for the year 2012 compared to the forecasted results of the year 2011.

January. On October 06, 2011, GRIGISKES AB and MEDIENOS PLAUSAS AB, the company in bankruptcy, have signed a contract of lease of a part of premises, production and other equipment owned by MEDIENOS PLAUSAS AB, the company in bankruptcy.
After a reassessment of the market situation, the rented asset's condition and the necessary level of investments to carry out an activity, GRIGISKES AB unilaterally terminates the lease contract mentioned above from February 1, 2012.

13.3. Offices and branches

Company has Country sales representatives operating in Latvia, Estonia and Poland. No new offices or branches are planned to open in 2012.

13.4. Risk factors

Information about financial risk management is provided in notes of annual audited consolidated statements of 2011.

Economic risk factors

Fibre Hardboard production. Compared to 2009, during the 2010 sales of fiberboard products rose by 34 percent. During the 2011 sales of fiberboard products rose additionaly by 21 percent. Market trends allow Company to expect a certain level of sales growth in 2012.
The most significant influence on the results of this business made price changes of natural gas used to produce thermal energy and raw wood. Company believes that possible negative impact of natural gas prices rise is not essential any more after the heat energy is produced from wood waste. The risk of rise of price of wood remains relevant in 2012 too.

Paper production. As Company's paper production is export accounts for around 67,7 percent of all paper products sales, the sales are affected by exchange rate fluctuations, as well as transport and raw material prices. Since the main export sales currency is euro, exchange rate risk is at a minimum.
In 2012, as in 2011, Company plans growth of sales in all markets.

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

Social risk factors

Salaries are paid in terms set in collective agreement.

Technical – technological risk factors

On purpose to improve technical level of production supply Company's production equipment and buildings are constantly upgraded, new equipment is acquired and processes are automated. In 2011 the active equipment maintenance system was installed in paper production unit of the Company. Currently the system is being implemented in other units of the Company.
Company introduced quality control system and was operating under LST EN ISO 9001:2001 standard requirements before the year 2008. After the successful recertification in May 2008 the validity period of quality certificate was prolonged unit 2011. In May 2010 the quality control system was audited. The audit concluded that requirements of LST EN ISO 9001:2008 standard are fulfilled in Company. In April 2011 the quality control system was re-audited. The audit concluded that requirements of LST EN ISO 9001:2008 standard are fulfilled in Company. In September 2011 started to implement an environmental management system operating in accordance with LST EN ISO 14001:2005 standard requirements.

Ecological risk factors

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

13.5. Suppliers

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

Supplier‘s country	2011	2010
	%	%
Lithuania	76	78
Estonia	4	9
Poland	3	4
Latvia	1	2
Germany	1	1
Belarus	0	1
Austria	0	1
Other countries	15	4
TOTAL	**100**	**100**

Main suppliers of energy resources are Lithuanian companies.

13.6. Segment information

In the year 2011 for management purposes, the Group and the Company was organized into three operating business units based on their products produced and had three reportable segments: paper, hardboard and wood processing, raw material for corrugated cardboard and related production.
Information about operating and geographic is provided in notes of annual audited consolidated financial statements of 2011.

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

It is planned that The Group which consists of companies GRIGISKES AB, Baltwood UAB, Klaipedos kartonas AB, Klaipeda Recycling UAB and Mena Pak OAO in the year 2012 will reach a turnover of LTL 322 Mio. (EUR 93.3 Mio), which is by LTL 14.3 Mio (EUR 4.1 Mio) or 4.6% over the not audited consolidated turnover of the year 2011. The Group’s profit before taxes will reach LTL 15 Mio (EUR 4.3 Mio) and will be by LTL 2 Mio (EUR 0.6 Mio) or 15.4% higher than unaudited consolidated profit before taxes, after the elimination of the impact of property valuation, of the year 2011 is.
It is also planned that GRIGISKES AB in the year 2012 will reach a turnover of LTL 117 Mio (EUR 33.9 Mio) and will be less by LTL 42.3 Mio (EUR 12.3 Mio) than not audited sales of the year 2011 are. The company will earn profit before taxes of LTL 4.6 Mio (EUR 1.3 Mio).
In planning the activities for the year 2012 among the other factors the Company has evaluated the impact of on December 2, 2011 disclosed and on December 31, 2011 implemented transference of a part of activities (wood fiber board manufacture) to a subsidiary Baltwood UAB. Up to 31.12.2011 GRIGISKES AB had three main operating business units – reportable segments: „Paper and paper products“, „Hardboard and hardboard products“ and also „Corrugated cardboard and related products“ and since the year 2012 company will have two business units – reportable segments: „Paper and paper products“ and „Corrugated cardboard and related products“. Namely the mentioned transference has led to the reduction of forecasted turnover by LTL 42.3 Mio (EUR 12.3 Mio) and profit before taxes by LTL 3.1 Mio (EUR 0.9 Mio) for the year 2012 compared to not audited results of the year 2011, including the elimination of the impact of valuation of business.

13.8. Financial indicators

Financial ratios	2009		2010		2011	
	Group	Company	Group	Company	Group	Company
EBITDA	21.904.985	20.569.459	35.625.442	16.126.187	40.792.205	22.507.154
EBITDA profitability	18,4%	18,7%	14,5%	12,4%	13,3%	14,1%
Gross margin	17,0%	17,0%	13,3%	10,9%	13,2%	14,4%
Operating margin	4,3%	4,8%	6,1%	1,8%	6,3%	5,7%
Net margin	2,2%	2,7%	3,1%	1,2%	4,2%	8,5%
ROE, %	4,0%	4,5%	9,8%	2,0%	13,8%	15,7%
ROA, %	2,0%	2,4%	4,2%	1,1%	5,2%	9,0%
Current ratio	0,85	1,12	0,81	0,71	0,87	0,68
Quick ratio	0,50	0,74	0,52	0,47	0,50	0,49
Cash to current liabilities	0,015	0,007	0,020	0,009	0,032	0,002
P/E	21,22	18,57	21,29	105,65	7,49	7,07
Earnings per share	0,04	0,05	0,13	0,03	0,21	0,23
Debt to equity ration	0,80	0,69	1,64	0,76	1,45	0,54
Debt to total assets ratio	0,44	0,41	0,60	0,41	0,57	0,33

13.9. Patents, licenses and research

The Company and the Group have no patents and licenses.

13.10. Environment protection

Emission rights movement for 2011

	Amount, pcs.	
	The Group	The Company
31 December 2010	(36.157)	(35.359)
Emission rights allocated	105.267	72.954
Purchase of emission rights	40.000	40.000
Emission rights used	(49.021)	(13.985)
Sale of emission rights	(70.000)	(70.000)
30 December 2011	**(9.911)**	**(6.390)**

14. RELATED PARTY TRANSACTIONS

All transactions with related persons were carried out at market prices.
AB „Klaipėdos kartonas“ – subsidiary of Grigiškės AB.
Baltwood UAB – subsidiary of Grigiškės AB.
Mena Pak OAO – subsidiary of Grigiškės AB.
AGR Prekyba UAB – subsidiary of Grigiškės AB.
Ginvildos Investicija UAB – major shareholders of Grigiškės AB.
Didma UAB, Remada UAB and Naras UAB – companies related to companies related to the members of Supervisory Council.
Ekotara UAB – subsidiary of the group not subject to consolidation.
Naujieji Verkiai UAB – subsidiary of the group not subject to consolidation.
Klaipėda Recycling UAB – subsidiary of the group not subject to consolidation.
Grigiškių energija UAB – subsidiary of the group not subject to consolidation.

14.1. table. Group's transactions with related persons during twelve months of 2011. Balances of amounts receivable/payable in relation thereto on the 31st of December 2011 (LTL)

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
Ginvildos Investicija UAB	390	218.873	-	90.088
Didma UAB	3.373	475.147	-	-
Naras UAB	3.959	-	-	-
Naujieji Verkiai UAB	11.303	-	1.254	-
Total	**19.025**	**694.020**	**1.254**	**90.088**

14.2. table. Company's transactions with related persons during twelve months of 2011. Balances of amounts receivable/payable in relation thereto on the 31st of December 2011 (LTL)

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
Baltwood UAB	4.501.283	3.325.979	3.580.133	-
AGR Prekyba UAB	1.671	-	116.985	-
Ginvildos Investicija UAB	390	218.873	-	90.088
Didma UAB	3.373	475.147	-	-
Naras UAB	3.959	-	-	-
Klaipėdos kartonas AB	407.965	10.542.891	84.707	1.752.916
Naujieji Verkiai UAB	11.303	-	1.254	-
Total	**4.929.944**	**14.562.890**	**3.783.079**	**1.843.004**

15. COURT AND ARBITRATION PROCEEDINGS

During the twelve months of 2011 the Group and the Company were not involved in any legal proceedings would have a material impact on the financial statements.

16. INFORMATION ON COMPLIANCE WITH GOVERNANCE CODE

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

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

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

company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.		activities of the Company; the members have versatile knowledge, opinions and experience necessary for the proper performance of their tasks.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	New members elected to the collegial bodies of the Company are made familiar with the Company, its organization, activity specifics, etc.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Independency of the members of the council of observers has not been evaluated in the Company so far; the Company has not discussed the contents of the concept of "sufficiency" of independent members.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and	Yes	According to the criteria laid down in paragraph 3.7, there is an independent member in the council of observers of the Company.

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

performance.		
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	To the best knowledge of the Company, all members of the council of observers act in a good will in respect of the Company, comply with the interests of the Company (not those of third parties) and take efforts to maintain independency in decision making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Members of the collegial body properly perform the functions delegated to them: actively participate at the sitting of the collegial body and devote sufficient time for the performance of their duties as the members of the collegial body.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The collegial body treat all shareholders in a fair and unbiased manner. There have been no conflicts of interests so far.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	In accordance with the Articles of Association, transactions of the Company shall be considered and approved by the management board: • decisions to invest, transfer or lease the tangible long-term assets the book value whereof exceeds 1/20 of the statutory capital of the company (calculated individually for every tape of transaction); • decisions to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the statutory capital of the company (calculated for the total amount of transactions); • decisions to offer surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the statutory capital of the company; • decisions to acquire the tangible long-term assets the price whereof exceeds 1/20 of the statutory capital of the company.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using	Yes	The collegial body is independent in making decision important for the activities and strategy of the Company. Also, there are no restrictions for the collegial body to receive information of the Company's employees.

the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.		
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	An Audit committee is formed in the Company. Conflicts of interests in the fields relating to appointment of directors of the Company, establishment of salary to the directors of the Company as well as audit control and evaluation of the Company have been avoided so far.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	An Audit committee is formed in the Company.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes	An Audit committee of the Company is composed of 3 members.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of	Yes	The authority of the Audit committee is determined by Supervisory Council by approving the Audit committee's internal rules.

every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.		
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	According to the Audit Committee's internal rules the Audit Committee has the right to invite to it's meetings the Chairman of the Supervisory Board and certain employees of the Company, the external auditor.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	No nomination committee has been formed in the Company so far.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's	No	No remuneration committee has been formed in the Company so far.

remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its	Yes	An Audit committee is formed in the Company.

findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for		

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

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

shareholder meetings by means of modern technologies.		
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Company fully complies with these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	The Company fully complies with these recommendations.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The Company fully complies with these recommendations.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Company fully complies with these recommendations.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	Such practice has not been applied in the Company so far.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Such practice has not been applied in the Company so far.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to	No	Such practice has not been applied in the Company so far.

variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	Such practice has not been applied in the Company so far.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the	No	Such practice has not been applied in the Company so far.

financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.13. Shares should not vest for at least three years after their award.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price	No	The remuneration policy of disclosure practice has not been applied in the Company so far.

movements, should be subject to predetermined and measurable performance criteria.		
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	Such practice has not been applied in the Company so far.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	Such practice has not been applied in the Company so far.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	Such practice has not been applied in the Company so far.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	Such practice has not been applied in the Company so far.

8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	No	Such practice has not been applied in the Company so far.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The Company complies with this recommendation.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The Company complies with this recommendation.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have	Partly	The Company regularly discloses information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company as well as potential conflicts of

an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		interest that may have an effect on their decisions.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	The Company complies with this recommendation.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company publishes information through the Central database of regulated information administrated by NASDAQ OMX Vilnius in Lithuanian and English simultaneously, of possible. The Stock Exchange places the received information on its home page and trade system, thus ensuring simultaneous placement of information to all readers. In addition, the Company, if possible, publishes its information prior to or after trade sessions of the stock exchange NASDAQ OMX Vilnius and provides information for all markets where securities of the Company are traded simultaneously. The Company does not publish in commentaries, interviews or otherwise any information likely to affect the price of its emitted securities until such information is announced through the Central database of regulated information administrated by NASDAQ OMX Vilnius. The mentioned information is also placed on the website of the Company: www.grigiskes.lt.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Essential events, press releases, activity reports and other information important for the shareholders are published on the website of the Company in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company fully complies with this recommendation.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	Yes	The Company complies with this recommendation, except for audited of interim financial statement.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	An audit company is proposed to the general meeting of shareholders by the council of observers.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	Audit company has rendered other services for LTL 34,528.