

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

19.04.2011 No 026-SK/2011-398

## CONFIRMATION OF RESPONSIBLE PERSONS

Pursuing Part 2 of Article 22 of the Law on Securities of the Republic of Lithuania, and rules prepared by the Lithuanian Securities Commission for preparation and announcement of periodical and supplementary information, we, the undersigned – General Director Gintautas Pangonis and Director of Finance Department Nina Šilerienė approve that not audited financial statements of AB Grigiškės for the three months of 2011 year, as made in compliance with applicable accounting standards, are true, correctly reflect issuer's and aggregate consolidated companies' assets, liabilities, financial standing, profit or loss, and also that the consolidated report for the three months of 2011 year shows fair business environment as well as description of the company's performance

ENCLOSURE: Grigiškės AB interim information for the three months of 2011.

General Director



Gintautas Pangonis

Director of Finance Department



Nina Šilerienė

**GRIGIŠKĖS AB**

*Interim information for the three months of 2011*

## TABLE OF CONTENTS

1. REPORTING PERIOD FOR WHICH THIS FINANCIAL STATEMENTS HAVE BEEN PREPARED	4
2. AUDIT INFORMATION.....	4
3. GROUP COMPANIES AND THEIR CONTACT DETAILS.....	4
4. NATURE OF CORE ACTIVITIES OF THE GROUP COMPANIES .....	5
5. CONTRACTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES AND CREDIT INSTITUTIONS.....	5
6. AUTHORISED CAPITAL OF THE ISSUER .....	6
6.1. <i>The authorized capital registered at the Register of Legal Persons</i> .....	6
6.2. <i>Information on the prospective increase of the authorized capital by converting issued debt securities or derivative securities into shares</i> .....	6
6.3. <i>Rights and obligations conferred by the shares</i> .....	6
7. SHAREHOLDERS .....	7
7.1. <i>Number of shareholders of the Company</i> .....	7
7.2. <i>Main shareholders owning in excess of 5 per cent of the authorised capital of the Issuer</i> .....	7
7.3. <i>Shareholders holding special controlling rights</i> .....	7
7.4. <i>Restrictions of the voting rights</i> .....	7
7.5. <i>Agreements between/among the shareholders</i> .....	7
8. INFORMATION ON TRADING WITH ISSUER'S SECURITIES ON THE REGULATED MARKETS .....	8
8.1. <i>Key characteristics of the shares of the Company</i> .....	8
8.2. <i>Share trading information</i> .....	8
8.3. <i>Capitalisation of the Company's shares</i> .....	9
8.4. <i>Issuer's share trading on other stock exchanges and regulated markets</i> .....	9
8.5. <i>Own shares buy out</i> .....	9
8.6. <i>Restrictions on shares transfer</i> .....	9
8.7. <i>Official takeover bid</i> .....	9
9. EMPLOYEES .....	9
10. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE ISSUER .....	10
11. INFORMATION ON THE MANAGING BODIES OF THE ISSUER .....	10
11.1. <i>Members of the managing bodies</i> .....	11
11.2. <i>Information of the Chairman of the Board, Head of Administration and Director of Finance Department</i> .....	11
11.3. <i>Information on the participation in the activities of other enterprises, agencies and organisations (name of the enterprise, agency or organisation and position thereat, capital interest and votes in excess of 5 per cent)</i> .....	12
11.4. <i>Data on the commencement and expiration of the tenure of each managing body</i> .....	13
12. INFORMATION ABOUT COMPLIANCE WITH GOVERNANCE CODE .....	13
13. REVIEW OF ACTIVITY OF THE GROUP COMPANIES.....	14

13.1. Material events in the Issuer's activities .....	14
13.2. Newest events in the Issuer's activities .....	14
13.3. Offices and branches .....	18
13.4. Risk factors .....	18
13.5. Suppliers.....	18
13.6. Sales and markets .....	18
13.7. Strategy of the activity and plans for the close future .....	19
13.8. Financial indicators .....	20
13.9. Related party transactions.....	20
14. FINANCIAL INFORMATION.....	22
14.1. Balance sheet.....	22
14.2. Income (loss) statement .....	23
14.3. Statement of changes in owner's equity .....	24
14.4. Cash flow statement .....	25
14.5. Basis of preparation .....	26
14.6. Significant accounting policies.....	27
14.7. Noncurrent assets.....	37
14.8. Investment property .....	38
14.9. Intangible assets .....	39
14.10. Trade and other receivables .....	40
14.11. Cash and cash equivalents.....	40
14.12. Inventories .....	40
14.13. Share capital and legal reserve .....	41
14.14. Loans and mortgages .....	41
14.15. Trade and other payables .....	42
14.16. Other operating income .....	42
14.17. Other operating expenses .....	42
14.18. Off balance articles .....	42
14.19. Court and arbitration proceedings .....	42

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

Reports have been prepared for the three months of 2011.

## 2. AUDIT INFORMATION

The interim consolidated information of Grigiškės AB covering the three months of 2011 is not audited or checked-up by auditors.

## 3. GROUP COMPANIES AND THEIR CONTACT DETAILS

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

Status	Issuer	Subsidiary	Subsidiary
Name	<b>Grigiškės AB</b>	<b>Klaipėdos kartonas AB</b>	<b>Baltwood UAB</b>
Company's ID No.	110012450	141011268	126199731
Authorised capital	60.000.000 LTL	84.605.460 LTL	9.950.000 LTL
Address	Vilniaus str. 10, 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 45
Fax	+370 5 243 58 02	+370 46 39 56 00	+370 5 243 58 98
E-mail	<a href="mailto:info@grigiskes.lt">info@grigiskes.lt</a>	<a href="mailto:info@kartonas.lt">info@kartonas.lt</a>	<a href="mailto:info@baltwood.lt">info@baltwood.lt</a>
Internet address	<a href="http://www.grigiskes.lt">www.grigiskes.lt</a>	<a href="http://www.kartonas.lt">www.kartonas.lt</a>	<a href="http://www.baltwood.lt">www.baltwood.lt</a>
Legal form	Public Limited Liability Company	Public Limited Liability Company	Private Limited Liability Company
Date of registration	23 May, 1991	22 September, 1994	10 April, 2003
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers
Status	Subsidiary	Subsidiary	Subsidiary
Name	<b>Ekotara UAB</b>	<b>Naujieji Verkiai UAB</b>	<b>Mena Pak OAO</b>
Company's ID No.	302329061	300015674	00383260
Authorised capital	10.000 LTL	100.000 LTL	511.470 UAH
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	<a href="mailto:info@grigiskes.lt">info@grigiskes.lt</a>	<a href="mailto:info@grigiskes.lt">info@grigiskes.lt</a>	<a href="mailto:menapack@ukr.net">menapack@ukr.net</a>
Internet address	<a href="http://www.ekotara.lt">www.ekotara.lt</a>	-	<a href="http://www.menapack.com.ua">www.menapack.com.ua</a>
Legal form	Private Limited Liability Company	Private Limited Liability Company	Public Limited Liability Company
Date of registration	10 April, 2009	6 April, 2004	30 December, 1993
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	Chernihiv region, Mena distr. Public administration

Status	Subsidiary	Subsidiary
Name	AGR Prekyba UAB	Klaipėda Recycling UAB
Company's ID No.	302416687	302529158
Authorised capital	10.010.000 LTL	10.000 Lt
Address	Vilniaus str. 10, Grigiškės, Vilnius	Nemuno str. 2, Klaipėda,
Phone	+370 5 243 5933	+370 46 395 601
Fax	+370 5 243 58 02	+370 46 395 600
E-mail	<a href="mailto:vikz@grigiskes.lt">vikz@grigiskes.lt</a>	<a href="mailto:info@kartonas.lt">info@kartonas.lt</a>
Internet address	-	-
Legal form	Private Limited Liability Company	Private Limited Liability Company
Date of registration	10 July, 2009	16 July, 2010
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers

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

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

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

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

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

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

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

Core business activity of Klaipėda Recycling UAB is planned to be a waste-paper procurement. The company has not been operating in year 2011.

Core business activities of AGR Prekyba UAB are as follows: investment activities and corporate governance. Since 05.01.2011 share capital of AGR Prekyba UAB is 10 010 000 LTL, address - Vilniaus str. 10, Grigiškės, LT-27101 Vilnius.

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

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

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

The Company has 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 General Meeting of Shareholders' accounting day the 18<sup>th</sup> of April 2011 there were 2.591 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 31<sup>st</sup> of March 2011.

Shareholder's name (company's name, type, headquarters address, corporate ID number)	31 March 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
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
IRENA ONA MIŠEIKIENĖ	8.731.686	14,55	14,55	8.731.686	14,55	14,55

### 7.3. Shareholders holding special controlling rights

There are no shareholders holding special controlling rights.

### 7.4. Restrictions of the voting rights

There are no restrictions of the voting rights.

### 7.5. Agreements between/among the shareholders

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



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

Registered ordinary shares of Grigiškės AB 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	Max.	Min.	Last session	Units	LTL
2008, I Q	2,70	2,40	2,48	183.621	0	0	167.207	431.407
2008, II Q	2,45	1,11	1,11	45.478	0	5.910	96.273	174.179
2008, III Q	1,44	1,11	1,14	1.311.782	0	4.812	1.325.360	1.700.485
2008, IV Q	1,14	0,29	0,30	42.459	0	6.593	884.565	378.011
<b>2008</b>	<b>2,70</b>	<b>0,29</b>	<b>0,30</b>	<b>1.311.782</b>	<b>0</b>	<b>6.593</b>	<b>2.473.405</b>	<b>2.684.081</b>
2009, I Q	0,45	0,30	0,31	458.897	0	0	4.465.664	1.751.743
2009, II Q	0,49	0,33	0,45	122.162	0	20.205	2.033.965	873.993
2009, III Q	1,09	0,42	1,02	185.607	0	22.208	2.889.167	2.017.305
2009, IV Q	1,03	0,88	0,93	62.921	364	5.460	863.978	817.846
<b>2009</b>	<b>1,09</b>	<b>0,30</b>	<b>0,93</b>	<b>458.897</b>	<b>0</b>	<b>5.460</b>	<b>10.252.774</b>	<b>5.460.887</b>
2010, I Q	1,33	0,92	1,27	643.163	0	14596,94	3.109.465	3.731.893
2010, II Q	1,35	1,24	1,34	98.746	0	25.194	1.017.209	1.319.328
2010, III Q	2,02	1,32	1,95	299.041	0	38.734	1.817.780	3.065.303
2010, IV Q	2,850	2,000	2,676	293.473	0	7.054	1.994.606	5.010.498
<b>2010</b>	<b>2,850</b>	<b>0,920</b>	<b>2,676</b>	<b>643.163</b>	<b>0</b>	<b>7.054</b>	<b>7.939.060</b>	<b>13.127.022</b>
2011, I Q	2,997	2,486	2,883	593.054	0	22.989	1.221.331	3.354.105

8.2. figure. Share price and turnover 01.01.2004 – 31.03.2011.



Grigiškės AB share price declined in May 2008 because of the annual general meeting decision to increase authorised capital to 60.000.000 LTL (registered in May 2008). Annual general meeting

decided to issue 20.043.343 ordinary registered shares of the nominal value of 1 (one) litas and to give the newly issued ordinary registered shares of the nominal value of 1 (one) litas to the shareholders for free.

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

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

Last session date	Capitalisation, LTL
28.12.2007	107.882.974
31.03.2008	99.092.509
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	76.000.000
30.06.2010	80.400.000
30.09.2010	117.000.000
31.12.2010	160.560.000
31.03.2011	172.980.000

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

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

### 8.5. Own shares buy out

The Company has not bought out own shares.

### 8.6. Restrictions on shares transfer.

There are no restrictions on shares transfer.

### 8.7. Official takeover bid

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

## 9. EMPLOYEES

During the first quarter of 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. Average number of listed employees of the Group

	three months of 2011	2010
Number of employees	933	585

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

	three months of 2011	2010
Number of employees	446	448

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

Employees	Average salary	Employees by education				
		University	College	Secondary	Basic	Elementary
Workpeople	1.863	42	155	459	60	9
Managers	4.652	69	24	2	-	-
Specialists	2.886	101	20	6	-	-
<b>Total</b>	<b>2.251</b>	<b>212</b>	<b>199</b>	<b>467</b>	<b>60</b>	<b>9</b>

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	-	-
<b>Total</b>	<b>2.140</b>	<b>200</b>	<b>203</b>	<b>469</b>	<b>58</b>	<b>10</b>

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

Employees	Average salary	Employees by education				
		University	College	Secondary	Basic	Elementary
Workpeople	2.350	19	86	192	16	1
Managers	5.696	39	9	2	-	-
Specialists	3.114	59	17	6	-	-
<b>Total</b>	<b>2.884</b>	<b>117</b>	<b>112</b>	<b>200</b>	<b>16</b>	<b>1</b>

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	-	-
<b>Total</b>	<b>2.681</b>	<b>109</b>	<b>113</b>	<b>203</b>	<b>22</b>	<b>1</b>

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

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

## 11. 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.

### 11.1. Members of the managing bodies

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

Full names	Positions	Capital share and votes, %
<b>SUPERVISORY COUNCIL</b>		
Norimantas Stankevičius	Chairman	-
Algimantas Goberis	Member	-
Valdas Urbonas	Member	-
Romualdas Juškevičius	Member	-
Tautvilas Adamonis	Member	-
<b>BOARD</b>		
Gintautas Pangonis	Chairman	0,22
Nina Šilerienė	Member	0,07
Audris Vilčinskas	Member	-
Normantas Paliokas	Member	-
Vigmantas Kažukauskas	Member	0,33
<b>ADMINISTRATION</b>		
Gintautas Pangonis	Director General	0,22
Nina Šilerienė	Director of Finance Department	0,07
Vigmantas Kažukauskas	Director for Business Development	0,33

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

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

Employers	Positions
Bitė GSM UAB (current name Bite Lietuva UAB)	Director general, chairman of the board
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
Lietuvos Telekomas AB (current name TEO LT AB)	Chief Finance Manager
Grigiškės AB	Director of Finance Department, member of the board

11.3. 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)

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

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
Norimantas Stankevičius	Didma UAB	Director	Didma UAB	51,00
			Naras UAB	62,48
			Ginvildos investicija UAB	13,0
	Baltwood UAB	Member of the board		
	Grigiškės AB	Chairman of the supervisory council		
Tautvilas Adamonis	Remada UAB	Director General	Remada UAB	100,0
	Grigiškės AB	Member of the supervisory council		
	Remados statyba UAB	Director	Remados statyba UAB	100,0
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 Verkliai UAB	Chairman of the board		
	Baltwood UAB	Chairman of the board		
	Ekotara UAB	Chairman of the board		
	Mena Pak OAO	Member of the Supervisory council		
Normantas Paliokas	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	0,91
	Grigiškės AB	Member of the board		
	Klaipėdos kartonas AB	Member of the board		
	Naujieji verkliai UAB	Director		
	Naujieji Verkliai UAB	Member of the board		
	Ekotara UAB	Member of the board		

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

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

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

There is more information on elections of new members of the Supervisory Council of Grigiskės AB and the Board of Grigiskės AB in the article "13.2 Newest events in the Issuer's activities".

## 12. INFORMATION ABOUT COMPLIANCE WITH GOVERNANCE CODE

Grigiskės AB follows a Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange. Information presented in the Annual Report of 2010 has not undergone any changes.

## 13. REVIEW OF ACTIVITY OF THE GROUP COMPANIES

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

**January** 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. Pagonis, 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.

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

**April, 2011** 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.

**April, 2011** 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.

**April, 2011** 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.

**April, 2011** 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.

**April, 2011** 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.

**April, 2011** 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 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.

**April, 2011** The Council of Supervisors of GRIGISKES AB (hereinafter - the Company), elected in the Grand 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.

### 13.3. Offices and branches

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

### 13.4. Risk factors

Information about financial risk management is provided in notes of annual audited consolidated statements of 2010. There are no material changes in financial risk management during the three months of year 2011.

### 13.5. Suppliers

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

Supplier's country	three months of 2011	2010
	%	%
Lithuania	75	78
Estonia	5	9
Poland	4	4
Latvia	2	2
Germany	1	1
Belarus	0	1
Austria	0	1
Other countries	13	4
<b>TOTAL</b>	<b>100</b>	<b>100</b>

Main suppliers of energy resources are Lithuanian companies.

### 13.6. Sales and markets

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

13.6.1. table. Group's sold produce

Produce	three months of 2011		three months of 2010	
	thousand litas	%	thousand litas	%
Hardboard and wood products	18.924	24,7	14.394	35,6
Paper and paper products	19.842	25,9	12.770	31,6
Raw material for corrugated cardboard, corrugated cardboard and related production	35.028	45,7	10.618	26,3
Other sales	2.836	3,7	2.638	6,5
<b>TOTAL</b>	<b>76.630</b>	<b>100</b>	<b>40.420</b>	<b>100</b>

## 13.6.2. table. Company's sold produce

Produce	three months of 2011		three months of 2010	
	thousand litas	%	thousand litas	%
Hardboard and wood products	14.851	35,4	11.257	38,4
Paper and paper products	19.842	47,3	12.770	43,6
Raw material for corrugated cardboard, corrugated cardboard and related production	3.711	8,9	2.089	7,1
Other sales	3.517	8,4	3.195	10,9

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

Country	three months of 2011		three months of 2010	
	thousand litas	%	thousand litas	%
United Kingdom	1.931	4,6	416	1,4
Belarus	267	0,6	198	0,7
Czech Republic	2.036	4,9	658	2,2
Denmark	1.974	4,7	2.171	7,4
Estonia	1.915	4,6	1.590	5,4
Latvia	3.830	9,1	2.605	8,9
Poland	7.045	16,8	2.589	8,8
Lithuania	16.083	38,4	13.427	45,8
Norway	338	0,8	358	1,2
The Netherlands	721	1,7	1.055	3,6
Slovakia	1.315	3,1	430	1,5
Finland	619	1,5	395	1,3
Sweden	2.539	6,1	2.429	8,3
Hungary	74	0,2	41	0,1
Germany	369	0,9	541	1,8
Other countries	866	2,1	407	1,4
<b>Total</b>	<b>41.921</b>	<b>100,0</b>	<b>29.311</b>	<b>100,0</b>

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

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

It is also planned that Grigiskes AB sales in 2011 will increase to LTL 145 Mio (EUR 42 Mio) and will be higher by LTL 18.5 Mio (EUR 5.4 Mio) than it is expected for the year 2010. The company will earn a profit before taxes of LTL 4.8 Mio (EUR 1.4 Mio) which will be LTL 3.2 Mio (EUR 0.9 Mio) higher than it is expected for the year 2010.

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

## 13.8. Financial indicators

Financial ratios	three months of 2009, not audited		three months of 2010, not audited		three months of 2011, not audited	
	Group	Company	Group	Company	Group	Company
EBITDA	5.259.969	5.084.034	5.076.744	3.764.721	9.205.228	4.146.368
EBITDA profitability	16,3%	16,9%	12,6%	12,8%	12,0%	9,9%
Gross margin	14,1%	14,5%	10,2%	10,4%	12,0%	10,3%
Operating margin	3,4%	4,2%	1,6%	0,7%	4,8%	1,7%
Net margin	0,9%	1,9%	0,6%	0,1%	1,7%	0,9%
ROE, %	0,4%	0,9%	0,3%	0,0%	1,5%	0,4%
ROA, %	0,2%	0,4%	0,1%	0,0%	0,5%	0,2%
Current ratio	0,77	0,95	0,75	0,93	0,90	0,84
Quick ratio	0,44	0,60	0,50	0,65	0,58	0,57
Cash to current liabilities	0,007	0,006	0,038	0,013	0,019	0,013
P/E	63,47	32,90	329,36	2.896,35	131,00	480,16
Earnings per share	0,005	0,009	0,004	0,000	0,022	0,0060
Debt to equity ration	1,09	0,95	2,11	0,75	1,65	0,79
Debt to total assets ratio	0,52	0,49	0,68	0,43	0,60	0,41

## 13.9. Related party transactions

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

AB „Klaipėdos kartonas“ – subsidiary of Grigiškės AB.

Baltwood UAB – subsidiary of Grigiškės AB.

OAO „Mena Pak“ – AB „Grigiškės“ subsidiary.

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.

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

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
Ginvildos Investicija UAB	97	28.350	118	30.489
Didma UAB	182.689	71.730	138.634	
Remada UAB				
Naras UAB	3.764		1.622	
Ekotara UAB				
Naujieji Verkiai UAB	3.355		1.293	
Klaipėdos kartonas AB	18.687	2.650.059	19.664	2.993.374
<b>Total</b>	<b>416.915</b>	<b>351.857</b>	<b>145.055</b>	<b>11.754</b>

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

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
Baltwood UAB	849.224	832.775	4.300.417	
Ginvildos Investicija UAB	97	28.350	118	22.869
Didma UAB	368	37.827	155	0
Remada UAB				
Naras UAB	1.914		1.622	0
Ekotara UAB				
Naujieji Verkiai UAB	3.355		1.293	
Klaipėdos kartonas AB	4.650	2.650.059	5.627	2.993.374
<b>Total</b>	<b>859.608</b>	<b>3.549.011</b>	<b>4.309.232</b>	<b>3.016.243</b>

## 14. FINANCIAL INFORMATION

## 14.1. Balance sheet

LTL

	Notes	The Group		The Company	
		31.03.2011	31.12.2010	31.03.2011	31.12.2010
<b>ASSETS</b>					
<b>Non-current assets:</b>					
Property, plant and equipment	14.7.	165.558.205	165.998.075	97.240.410	96.644.280
Investment property	14.8.	4.870.927	4.949.000	4.870.927	4.949.000
Intangible assets	14.9.	12.799.250	12.771.370	114.579	129.213
Investments in subsidiaries		-	-	15.358.923	5.358.923
Loans granted		5.500	-	3.347.028	13.347.028
Other accounts receivables		56.297	61.847	-	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>183.290.179</b>	<b>183.780.292</b>	<b>120.931.867</b>	<b>120.428.444</b>
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	14.11	1.245.974	1.378.635	502.932	361.192
Prepaid income tax		-	-	-	-
Trade and other accounts receivables	14.10	35.220.192	32.357.453	20.104.634	18.038.094
Inventories	14.12	21.549.503	19.623.910	10.466.147	9.960.609
Other assets		1.643.293	1.513.830	999.504	482.562
<b>TOTAL CURRENT ASSETS</b>		<b>59.658.962</b>	<b>54.873.828</b>	<b>32.073.217</b>	<b>28.842.457</b>
<b>TOTAL ASSETS</b>		<b>242.949.141</b>	<b>238.654.120</b>	<b>153.005.084</b>	<b>149.270.901</b>
<b>EQUITY AND LIABILITIES</b>					
<b>CAPITAL AND RESERVES:</b>					
Share capital	14.13	60.000.000	60.000.000	60.000.000	60.000.000
Legal reserve		4.145.934	4.145.934	4.145.934	4.145.934
Foreign currency translation reserve		(456.727)	(53.388)	-	-
Retained earnings		21.553.443	20.273.624	16.322.531	15.962.278
Rate of exchange influence		-	-	-	-
Non controlling interest		2.863.176	2.822.509	-	-
<b>TOTAL EQUITY</b>		<b>88.105.826</b>	<b>87.188.679</b>	<b>80.468.465</b>	<b>80.108.212</b>
<b>GRANTS</b>		<b>9.058.201</b>	<b>8.410.520</b>	<b>9.058.201</b>	<b>8.410.520</b>
<b>NON-CURRENT LIABILITIES:</b>					
Bank loans and mortgages	14.14	67.768.389	63.098.888	15.848.934	11.147.580
Obligations under finance leases		7.367.705	7.156.940	7.038.648	6.813.065
Deferred tax liability		3.861.202	3.927.139	2.040.783	2.052.891
Other accounts payable		730.067	730.067	370.053	370.053
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>79.727.363</b>	<b>74.913.034</b>	<b>25.298.418</b>	<b>20.383.589</b>
<b>CURRENT LIABILITIES:</b>					
Bank loans and mortgages	14.14	21.636.804	22.724.791	12.886.032	11.789.141
Obligations under finance leases		3.115.679	4.242.460	2.813.811	3.787.762
Delay for unused emission rights		-	-	-	-
Factoring		-	-	-	-
Received prepayment		270.928	120.376	-	3.572
Trade and other accounts payable	14.15	41.034.340	41.054.260	22.480.157	24.788.105
<b>TOTAL CURRENT LIABILITIES</b>		<b>66.057.751</b>	<b>68.141.887</b>	<b>38.180.000</b>	<b>40.368.580</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>242.949.141</b>	<b>238.654.120</b>	<b>153.005.084</b>	<b>149.270.901</b>

## 14.2. Income (loss) statement

LTL

	notes	The Group		The Company	
		January – March 2011	January – March 2010	January – March 2011	January – March 2010
Sales		76.629.597	40.420.122	41.921.109	29.311.095
Cost of sales		67.447.150	36.294.560	37.598.208	26.264.386
<b>Gross profit</b>		<b>9.182.447</b>	<b>4.125.562</b>	<b>4.322.901</b>	<b>3.046.709</b>
Other operating income	14.16.	388.300	670.075	313.712	620.722
Selling and distribution		3.078.975	2.202.023	2.638.055	1.996.937
Administrative expenses		2.427.729	1.891.663	1.238.498	1.421.691
Other operating expenses	14.17.	410.356	75.236	43.797	36.972
<b>Profit from operations</b>		<b>3.653.687</b>	<b>626.715</b>	<b>716.263</b>	<b>211.831</b>
Finance income		468	77.176	1.849	95
Finance expenses		2.055.393	390.961	279.127	197.663
<b>Profit before income tax</b>		<b>1.598.762</b>	<b>312.930</b>	<b>438.985</b>	<b>14.263</b>
Income tax expense		278.276	81.573	78.732	(12.046)
<b>NET PROFIT</b>		<b>1.320.486</b>	<b>231.357</b>	<b>360.253</b>	<b>26.309</b>
Group's interest		1.279.819	200.095	360.253	26.309
Non controlling interest		40.667	31.262	0	0
<b>Basic and diluted earnings per share</b>		<b>0,022</b>	<b>0,004</b>	<b>0,006</b>	<b>0,000</b>



## 14.3. Statement of changes in owner's equity

LTL

The Group	Notes	Share capital	Legal reserve	Rate of exchange influence	Non controlling interest	Retained earnings	Total
<b>31 December 2009</b>		60.000.000	3.995.665	0	0	3.332.980	67.328.645
Other comprehensive income (expenses)				(6.069)			(6.069)
Net profit					31.262	200.095	231.357
Acquisition of new subsidiaries					2.480.753		2.480.753
<b>31 March 2010</b>		60.000.000	3.995.665	(6.069)	2.512.015	3.533.075	70.034.686
Transfer to legal reserve			150.269			(150.269)	
Impact of IFRS 1 adoption						11.090.387	11.090.387
Dividends paid						(1.200.000)	(1.200.000)
Other comprehensive income (expenses)				(47.319)			(47.319)
Net profit					310.494	7.000.431	7.310.925
<b>31 December 2010</b>		60.000.000	4.145.934	(53.388)	2.822.509	20.273.624	87.188.679
Transfer to legal reserve							
Other comprehensive income (expenses)				(403.339)			(403.339)
Net profit					40.667	1.279.819	1.320.486
<b>31 March 2011</b>		60.000.000	4.145.934	(456.727)	2.863.176	21.553.443	88.105.826

LTL

The Company	Notes	Share capital	Legal reserve	Other reserves	Rate of exchange influence	Retained earnings	Total
<b>31 December 2009</b>		60.000.000	3.995.665	0	0	4.702.451	68.698.116
Dividends paid							
Net profit						26.309	26.309
<b>31 March 2010</b>		60.000.000	3.995.665	0	0	4.728.760	68.724.425
Transfer to legal reserve			150.269			(150.269)	0
Impact of IFRS 1 adoption						11.090.387	11.090.387
Dividends paid						(1.200.000)	(1.200.000)
Net profit						1.493.400	1.493.400
<b>31 December 2010</b>		60.000.000	4.145.934			15.962.278	80.108.212
Transfer to legal reserve							
Dividends paid							
Net profit						360.253	360.253
<b>31 March 2011</b>		60.000.000	4.145.934			16.322.531	80.468.465

## 14.4. Cash flow statement

LTL

	The Group		The Company	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
<b>OPERATING ACTIVITIES</b>				
Profit before income tax	1.598.762	312.930	438.985	14.263
Adjustments for:				
Depreciation and amortization	5.551.541	4.450.029	3.430.105	3.552.890
Release of negative goodwill to income				
Interest (income) expenses, net	2.054.925	303.973	277.278	197.533
Profit on disposal of fixed assets	(90.040)		(87.911)	
Profit on disposal of emission rights		(431.600)		(431.600)
Provisions (reversal) for slow moving inventory, write off to net realisable value and low value inventory		(244.093)		(244.093)
Provision for doubtful accounts receivable (reversal), write off of bad accounts receivables	(530.965)		(530.965)	
<b>TOTAL</b>	<b>8.584.223</b>	<b>4.391.239</b>	<b>3.527.492</b>	<b>3.088.993</b>
Changes in current assets and liabilities:	(370.053)			
(Increase) decrease in other assets	(129.463)	(645.842)	(516.942)	38.065
Decrease (increase) in trade and other accounts receivables	(3.723.080)	(13.155.754)	(1.535.575)	(600.263)
Decrease (increase) in inventories	(1.925.593)	(4.364.544)	(505.538)	1.103.182
Increase (decrease) in trade and other accounts payable	(119.370)	17.350.506	(2.431.763)	436.171
<b>TOTAL</b>	<b>(6.267.559)</b>	<b>(815.634)</b>	<b>(4.989.818)</b>	<b>977.155</b>
Interest paid	(652.885)	(390.205)	(250.537)	(184.050)
Income tax paid	(250.000)	(105.000)		
<b>NET cash from operating activities</b>	<b>1.413.779</b>	<b>3.080.400</b>	<b>(1.712.863)</b>	<b>3.882.098</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of noncurrent assets and intangible assets	(4.975.954)	(5.367.667)	(4.057.974)	(5.255.111)
Acquisition of noncurrent assets and intangible assets of subsidiaries		(60.266.968)		
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)			(10.000.000)	(502.150)
Proceeds on disposal noncurrent assets	163.705		163.705	
Grants and subsidies received	647.681		647.681	
Proceeds on disposal of emission rights		431.600		431.600
Interest received	1.282	312	2.662	95
Prestige		(11.377.150)		
Repayment of loans granted			10.000.000	(2.500.000)
Non controlling interest		938.229		
Rate of exchange influence		(6.069)		
Proceeds from long-term receivables		(75.650)		
<b>Net cash (used in) investing activities</b>	<b>(4.163.286)</b>	<b>(75.723.363)</b>	<b>(3.243.926)</b>	<b>(7.825.566)</b>
<b>FINANCING ACTIVITIES</b>				
Dividends paid				
Repayments of loans and mortgages	(3.682.066)	(5.191.002)	(1.465.335)	(1.115.332)
Proceeds from loans and mortgages	7.263.580	81.090.874	7.263.580	6.573.783
Repayment of long-term accounts payables				
Repayments of finance lease liabilities	(964.668)	(1.423.429)	(699.716)	(1.285.891)
<b>Net cash (used in) financing activities</b>	<b>2.616.846</b>	<b>74.476.443</b>	<b>5.098.529</b>	<b>4.172.560</b>
<b>Net (decrease)/increase in cash</b>	<b>(132.661)</b>	<b>1.833.480</b>	<b>141.740</b>	<b>229.092</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF THE PERIOD</b>	<b>1.378.635</b>	<b>461.601</b>	<b>361.192</b>	<b>158.581</b>
<b>CASH AND CASH EQUIVALENTS END OF THE PERIOD</b>	<b>1.245.974</b>	<b>2.295.081</b>	<b>502.932</b>	<b>387.673</b>

In the first quarter of 2011 Grigiskes AB, as the only shareholder of AGR Prekyba UAB, increased a share capital of AGR Prekyba UAB from EUR 10.000 LTL to EUR 10.010.000 LTL by issuing 100.000 ordinary shares 100 LTL par value. The newly issued shares of the Company have been paid by taking in account the claims of the parties which arise from a loan agreement under which Grigiskes AB in the first quarter of 2010 has been granted 10.000.000 million LTL loan to the AGR Prekyba UAB.

#### 14.5. Basis of preparation

##### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

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

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

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

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

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

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

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

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

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

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

##### **Standards issued but not yet effective**

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

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

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

**IFRS 9 *Financial Instruments*** (effective for financial years beginning on or after 1 January 2013, once adopted by the EU).

IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

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

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

#### *14.6. Significant accounting policies*

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

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

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

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

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

## **Business combinations and goodwill**

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

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

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

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

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

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

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

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

### **Measurement and presentation currency**

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

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

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position.

The assets and liabilities of foreign subsidiaries are translated into Litasp 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 Litasp is pegged to Euro at the rate of 3.4528 Litasp for 1 Euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

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

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

### **Intangible assets other than goodwill**

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

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

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

Land lease right	90 years
Licenses, patents and etc.	3 years
Software	1 – 5 years
Other intangible assets	3 – 4 years

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

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

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

### **Property, plant and equipment**

According to the exception available under IFRS 1, part of buildings, acquired before 1 January 1996, were measured at fair values, determined as at 31 December 2010 by independent property valuator, and these values are used as deemed cost at that date (Note **Error! Reference source not found.**). Valuation of assets was performed using two methods: market comparables and depreciated replacement value (cost) method.

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

- the asset is disposed in the open market;
- liability for acquired asset has no effect on the value of estimated asset or the part of it;



- the asset is built and/or is used in accordance with the laws' requirements and other standards of the Republic of Lithuania.

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

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

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

Till 31 December 2010, buildings were accounted as follows:

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

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

Buildings and structures	8 – 91 years
Machinery and equipment	5 – 33 years
Vehicles	6 – 8 years
Other equipment and other assets	4 – 10 years

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

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

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

### **Investment property**

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

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

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

### **Emission rights**

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

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

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

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

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

### **Financial assets**

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as



appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

### **Financial assets at fair value through profit or loss**

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

The Group and the Company does not have any finance instruments at fair value through profit or loss as at 31 March 2011 and 31 December 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 did not have any held-to-maturity investments as at 31 March 2011 and 31 December 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. 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 March 2011 and 31 December 2010.

## **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.

### **Inventories**

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

### **Cash and cash equivalents**

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

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

### **Borrowings**

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

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

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

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

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

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

#### **Non-current employee benefits**

According to the requirements of Lithuanian Labour Code, each employee leaving the Group or the Company at the age of retirement is entitled to a one-off payment in the amount of 2 months salary. Current year cost of employee benefits is recognised as incurred in the statement of comprehensive income. The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.

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

#### **Grants and subsidies**

Grants and subsidies (hereinafter "grants") received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the asset related grants is recognised in the financial statements as used in parts according to the

depreciation of the assets associated with this grant. In the statement of comprehensive income, a relevant expense account is reduced by the amount of grant amortisation.

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

### **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.

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

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

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

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

### **Revenue recognition**

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

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

Revenue from services is recognised when services are rendered.

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

## **Impairment of assets**

### **Financial assets**

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

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

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

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

### **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<sup>1</sup>, amortization<sup>1</sup>, valuation of buildings<sup>1</sup>, non-current employee benefits<sup>1</sup>, impairment evaluation of goodwill<sup>1</sup> and other assets<sup>1</sup>. 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.

### **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.

---

<sup>1</sup> For more details see annual audited financial statements for the year 2010.

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

### Subsequent events

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

#### 14.7. Noncurrent assets

On the 31<sup>st</sup> of March 2011 Group's noncurrent assets consisted of the following, LTL

The Group	Buildings and constructions	Machinery and Equipment	Vehicles	Other assets	Construction in progress and prepayments	Total
<b>Modified cost</b>						
31 December 2010	75.487.852	157.066.332	5.496.183	4.336.618	17.339.591	259.726.576
Additions		233.681	266.300	91.659	5.019.493	5.611.133
Disposals		(1.464.622)	(315.847)	(129.494)		(1.909.963)
Transfers		454.337	(79.958)		(374.379)	0
Rate of exchange influence						
<b>31 March 2011</b>	<b>75.487.852</b>	<b>156.289.728</b>	<b>5.366.678</b>	<b>4.298.783</b>	<b>21.984.705</b>	<b>263.427.746</b>
<b>Accumulated depreciation and impairment</b>						
31 December 2010	5.185.325	81.956.934	3.699.689	2.886.553		93.728.501
Depreciation	669.527	4.110.441	201.477	458.749		5.440.194
Impairment loss (reversal)						
Disposals		(1.399.843)	(308.225)	(128.230)		(1.836.298)
Transfers		62.449	(62.449)			
Rate of exchange influence	282.324	249.809		5.011		537.144
<b>31 March 2011</b>	<b>6.137.176</b>	<b>84.979.790</b>	<b>3.530.492</b>	<b>3.222.083</b>		<b>97.869.541</b>
<b>Carrying amount</b>						
31 December 2010	70.302.527	75.109.398	1.796.494	1.450.065	17.339.591	165.998.075
<b>31 March 2011</b>	<b>69.350.676</b>	<b>71.309.938</b>	<b>1.836.186</b>	<b>1.076.700</b>	<b>21.984.705</b>	<b>165.558.205</b>

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

On the 31<sup>st</sup> of March 2011, the part of the Group's property, plant and equipment with a carrying value of 92.366 thousand Litass (31 December 2010 – 94.522 thousand Litass) is pledged as a security for repayment of the loans granted by banks.



On the 31<sup>st</sup> of March 2011 Company's noncurrent assets consisted of the following, LTL

The Company	Buildings and constructions	Machinery and Equipment	Vehicles	Other assets	Construction in progress and prepayments	Total
<b>Modified cost</b>						
31 December 2010	32.525.715	120.714.175	3.701.940	3.426.723	16.724.337	177.092.890
Additions		39.093	266.300	63.790	3.631.080	4.000.263
Disposals		(1.464.622)	(315.847)	(127.094)		(1.907.563)
Transfers		79.958	(79.958)			
<b>31 March 2011</b>	<b>32.525.715</b>	<b>119.368.604</b>	<b>3.572.435</b>	<b>3.363.419</b>	<b>20.355.417</b>	<b>179.185.590</b>
<b>Accumulated depreciation and impairment</b>						
31 December 2010	3.048.748	71.980.132	2.644.856	2.774.874		80.448.610
Depreciation	329.637	2.808.237	110.773	79.692		3.328.339
Impairment loss (reversal)						
Disposals		(1.399.843)	(308.225)	(123.701)		(1.831.769)
Transfers		62.449	(62.449)			
<b>31 March 2011</b>	<b>3.378.385</b>	<b>73.450.975</b>	<b>2.384.955</b>	<b>2.730.865</b>		<b>81.945.180</b>
<b>Carrying amount</b>						
<b>31 December 2010</b>	<b>29.476.967</b>	<b>48.734.043</b>	<b>1.057.084</b>	<b>651.849</b>	<b>16.724.337</b>	<b>96.644.280</b>
<b>31 March 2011</b>	<b>29.147.330</b>	<b>45.917.629</b>	<b>1.187.480</b>	<b>632.554</b>	<b>20.355.417</b>	<b>97.240.410</b>

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

On the 31<sup>st</sup> of March 2011, the part of the Company's property, plant and equipment with a carrying value of 32.471 thousand Litass (31 December 2010 – 32.990 thousand Litass) is pledged as a security for repayment of the loans granted by banks.

#### 14.8. Investment property

On the 31<sup>st</sup> of March 2011 Group's and Company's investment property consisted of the following, LTL:

Group / Company	Buildings and constructions	Total
<b>Modified cost</b>		
31 December 2010	7.089.600	7.089.600
Additions		
Disposals		
Transfers		
<b>31 March 2011</b>	<b>7.089.600</b>	<b>7.089.600</b>
<b>Accumulated depreciation and impairment</b>		
31 December 2010	2.140.600	2.140.600
Depreciation	78.073	78.073
Impairment loss (reversal)		
Transfers		
<b>31 March 2011</b>	<b>2.218.673</b>	<b>2.218.673</b>
<b>Carrying amount</b>		
<b>31 December 2010</b>	<b>4.949.000</b>	<b>4.949.000</b>
<b>31 March 2011</b>	<b>4.870.927</b>	<b>4.870.927</b>

## 14.9. Intangible assets

On the 31<sup>st</sup> of March 2011 Group's intangible assets consisted of the following, LTL:

The Group	Land lease rights	Licenses, patents	Software	Prestige	Other assets and prepayments	Total
<b>Cost</b>						
31 December 2010	2.400.000	56.238	904.809	10.362.10	58.793	13.781.941
Additions			52.095		9.059	61.154
Disposals						
Reappraisal						
Transfers						
<b>31 March 2011</b>	<b>2.400.000</b>	<b>56.238</b>	<b>956.904</b>	<b>10.362.10</b>	<b>67.852</b>	<b>13.843.095</b>
<b>Accumulated amortization</b>						
31 December 2010	195.555	56.218	750.070		8.728	1.010.571
Amortization	6.667		25.676		931	33.274
Impairment loss/ (reversal)						
Disposals						
Transfers						
<b>31 March 2011</b>	<b>202.222</b>	<b>56.218</b>	<b>775.746</b>	<b>0</b>	<b>9.659</b>	<b>1.043.845</b>
<b>Carrying amount</b>						
31 December 2010	2.204.445	20	154.739	10.362.10	50.065	12.771.370
<b>31 March 2011</b>	<b>2.197.778</b>	<b>20</b>	<b>181.158</b>	<b>10.362.10</b>	<b>58.193</b>	<b>12.799.250</b>

On the 31<sup>st</sup> of March 2011, the Group's land lease rights with a carrying value of 2.198 thousand Litass (31 December 2010 – 2.204 thousand Litass) are pledged as a security for repayment of the loan granted by banks.

On the 31<sup>st</sup> of March 2011, Company's intangible assets consisted of the following, LTL:

The Company	Licenses and patents	Software	Other assets	Total
<b>Cost</b>				
31 December 2010	56.238	803.309	58.793	918.340
Additions			9.059	9.059
Disposals				
Reappraisal				
Transfers				
<b>31 March 2011</b>	<b>56.238</b>	<b>803.309</b>	<b>67.852</b>	<b>927.399</b>
<b>Accumulated amortization</b>				
31 December 2010	56.218	724.182	8.727	789.127
Amortization		22.762	931	23.693
Impairment loss/ (reversal)				
Disposals				
Transfers				
<b>31 March 2011</b>	<b>56.218</b>	<b>746.944</b>	<b>9.658</b>	<b>812.820</b>
<b>Carrying amount</b>				
31 December 2010	20	79.127	50.066	129.213
<b>31 March 2011</b>	<b>20</b>	<b>56.365</b>	<b>58.194</b>	<b>114.579</b>



Amortization expenses have been included in administrative expenses.

#### 14.10. Trade and other receivables

On the 31<sup>st</sup> of March 2011 trade and other receivables consisted of the following, LTL:

	The Group		The Company	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Trades receivable	32.753.321	31.042.163	18.685.732	17.586.263
Other receivable	3.382.733	2.351.722	1.715.860	1.279.754
	<b>36.136.054</b>	<b>33.393.885</b>	<b>20.401.592</b>	<b>18.866.017</b>
Less: allowance for doubtful amounts receivable	(530.965)	(1.036.432)	(296.958)	(827.923)
<b>Total amounts receivable within one year:</b>	<b>35.605.089</b>	<b>32.357.453</b>	<b>20.104.634</b>	<b>18.038.094</b>

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

The movement for 2010 in the allowance for doubtful amounts receivable consisted of the following, LTL:

	The Group		The Company	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
<b>On the 1<sup>st</sup> of January</b>	<b>1.036.432</b>	<b>885.473</b>	<b>827.923</b>	<b>829.614</b>
Change for the year		208.509		
Reversal of allowance	(530.965)	(57.550)	(530.965)	(1.691)
<b>At the end of the period</b>	<b>505.467</b>	<b>1.036.432</b>	<b>296.958</b>	<b>827.923</b>

#### 14.11. Cash and cash equivalents

On the 31<sup>st</sup> of March 2011 cash and cash equivalents consisted of the following:

	The Group		The Company	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Cash at bank	1.224.130	1.339.035	481.220	332.429
Cash on hand	21.844	39.600	21.712	28.763
<b>Total</b>	<b>1.245.974</b>	<b>1.378.635</b>	<b>502.932</b>	<b>361.192</b>

#### 14.12. Inventories

On the 31<sup>st</sup> of March 2011 inventories consisted of the following:

	The Group		The Company	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Materials	10.556.313	7.729.979	5.758.723	3.505.847
Work in progress	3.210.655	4.005.095	1.936.385	2.479.607
Finished goods	8.643.204	8.571.378	3.631.708	4.835.824
Goods in transit		178.127		
	<b>22.410.172</b>	<b>20.484.579</b>	<b>11.326.816</b>	<b>10.821.278</b>
Less: write-down to net realizable value	(860.669)	(860.669)	(860.669)	(860.669)
<b>Total</b>	<b>21.549.503</b>	<b>19.623.910</b>	<b>10.466.147</b>	<b>9.960.609</b>

On the 31<sup>st</sup> of March 2011, the Group's and the Company's inventory with carrying amounts of 10.000.000 Litas and 8.000.000 Litas respectively are pledged as a security for the loan granted by the bank (as at 31 December 2010 – 10.000.000 Litas and 8.000.000 Litas).

#### 14.13. Share capital and legal reserve

On the 31<sup>st</sup> of March 2011 share capital consisted of LTL 60.000.000 ordinary shares at a par value of LTL 1 each. All shares were fully paid.

On the 31<sup>st</sup> of March 2011 shareholders of the Company were as follows:

	Number of shares	Proportion of ownership, %
Lithuanian legal entities	29.755.549	49,6
Lithuanian individuals	22.182.269	37,0
Foreign legal entities	7.795.891	13,0
Foreign individuals	266.291	0,4
<b>Total</b>	<b>60.000.000</b>	<b>100,0</b>

On the 31<sup>st</sup> of March 2011 shareholders of the Company (by country) were as follows:

	Number of shares	Proportion of ownership, %
Lithuania	51.937.818	86,6
USA	6.012.266	10,0
Sweden	1.715.539	2,9
other countries	334.377	0,5
<b>Total</b>	<b>60.000.000</b>	<b>100</b>

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

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

#### 14.14. Loans and mortgages

	The Group		The Company	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
The loans and mortgages are repayable as				
Within one year	21.636.804	22.724.791	12.886.032	11.789.141
In the second year	13.684.240	11.286.502	6.646.611	4.318.344
In the third to fifth years inclusive	54.084.149	51.812.386	9.202.323	6.829.236
	<b>89.405.193</b>	<b>85.823.679</b>	<b>28.734.966</b>	<b>22.936.721</b>
Less: amount due for settlement within one year	(21.636.804)	(22.724.791)	(12.886.032)	(11.789.141)
<b>Amount due for settlement after one year</b>	<b>67.768.389</b>	<b>63.098.888</b>	<b>15.848.934</b>	<b>11.147.580</b>

## 14.15. Trade and other payables

	The Group		The Company	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Trade payables	32.131.614	31.524.025	17.942.762	20.143.153
Taxes, salaries and social insurance payable	5.834.931	4.754.736	3.141.517	2.038.276
Advances paid	387.884	885.715	91.597	196.772
Other payables	2.679.911	3.889.784	1.304.281	2.409.904
<b>Total</b>	<b>41.034.340</b>	<b>41.054.260</b>	<b>22.480.157</b>	<b>24.788.105</b>

## 14.16. Other operating income

	The Group		The Company	
	01.01.2011- 31.03.2011	01.01.2010- 31.03.2010	01.01.2011- 31.03.2011	01.01.2010- 31.03.2010
Gain from disposal of emission rights		431.600		431.600
Rent income	156.511	118.284	156.511	117.284
Gain from disposal of fixed assets	88.270		88.030	
The reversal of inventory written off, scrap recognition	41.543	54.989	39.543	54.989
Insurance compensation	18.246		14.853	
Write off of accounts payables		13.783		
Other income	83.730	51.419	14.775	16.849
<b>Total</b>	<b>388.300</b>	<b>670.075</b>	<b>313.712</b>	<b>620.722</b>

## 14.17. Other operating expenses

	The Group		The Company	
	01.01.2011- 31.03.2011	01.01.2010- 31.03.2010	01.01.2011- 31.03.2011	01.01.2010- 31.03.2010
Rent expenses	43.410	38.514	41.187	36.972
Insurance expenses	307.881			
Other expenses	59.065	36.722	2.610	
<b>Total</b>	<b>410.356</b>	<b>75.236</b>	<b>43.797</b>	<b>36.972</b>

## 14.18. Off balance articles

Emission rights movement for the three months of 2011

	Amount, pcs.	
	The Group	The Company
31 December 2010	(26.157)	(25.359)
Emission rights allocated	85.668	53.355
Emission rights used	(18.625)	(9.683)
Sale of emission rights		
<b>31 March 2011</b>	<b>40.886</b>	<b>18.313</b>

## 14.19. Court and arbitration proceedings

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