Grigeo AB

CONSOLIDATED ANNUAL REPORT,
SUSTAINABILITY REPORT AND
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

This document is not the official annual information of Grigeo AB, as it is not presented in ESEF format. This is a copy of the annual ESEF information. You can find the official annual information in ESEF format with XBRL tags together with the independent auditor's report on Grigeo AB's website or Nasdaq website, in the reports section of the issuer Grigeo AB.

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

FOREWORD BY THE PRESIDENT

Dear members of the society,

We have been dealing with unprecedented multifaceted challenges for several years now. The global pandemic of 2020 was overshadowed by the leaps in raw materials, energy, and logistics prices the year after, and last year everything was dwarfed by the war in Ukraine, which brought the prices of the resources to new heights just as it made its own adjustments to the supply chains and the market situation. And so, against all odds, placed against this background of geopolitical tensions, unprecedented inflation, and increasingly stronger signals of recession, we and our team had to remain quick and maintain our precision and focus on creating long-term value for our employees, partners, and investors.

Even though Grigeo AB companies did suffer a number of short-term losses and, just like our major European players, had to temporarily suspend their operations in 2022, the conservative management of the Group's finances and the strategic diversification of business implemented last year allowed us to demonstrate some resilience and flexibility even in these difficult times. As a result, we can take pride in our decent annual performance.

You will be able to see that for yourselves once you read the enclosed 2022 statement, which presents information about the Group's key performance ratios and key developments in the areas of finances, environmental protection, social responsibility, and governance.

Prior to this reporting period, we had made a commitment to our stakeholders to set a number of ambitious sustainability targets for ourselves. We did this in the area of environmental protection, social responsibility, and governance, and we followed the best international practices in doing so. Furthermore, we have clearly defined our contribution to achieving the United Nations goals of sustainable development. We are committed to showcase these indicators and the process of compliance thereto in our annual sustainability reports.

Our commitments become essential to us, for we are an integral part of the circular economy. Nearly all (98%) of our products were made from renewable resources in 2022. Last year, secondary raw materials accounted for 34% or all raw materials used in manufacturing. In 2022, we processed a total of over 131 thousand tons of waste paper. The increasing global demand for sustainable products will definitely reinforce the Group's economic resilience and will have a lasting positive effect.

Environmental aspects cover a significant portion of our sustainability targets. Our industrial operations require substantial energy resources, which makes environmental indicators relevant both to ourselves and to our stakeholders. We have set ourselves ambitious goals to reduce our CO_2 emissions, improve energy efficiency, reduce waste disposal by way of landfill and the amount of waste water generated by our manufacturing process, among other things.

In the area of social responsibility, we still prioritise the health and safety, personal satisfaction with work, and engagement of our employees. We have also set ourselves a goal to minimise the number of on-job incidents as well as employee turnover indicators. When it comes to governance, we have identified 10 internal policies that we agreed to update or create to achieve a synergy between the Group's strategy, sustainability requirements, and best international practices.

Despite the market dynamics and the factors that drove uncertainty in 2022, our Group has achieved relatively high financial results. The drastic growth of electricity and gas prices has had an inevitable impact on the prices of our products, resulting in a historically high sales figure, yet the actual market situation is reflected in the drop in our ultimate profitability indicators. The Group's EBITDA in 2022 stood at EUR 21 million, down by 10% from 2021. Accordingly, the EBITDA margin has shrunk from 14.5% to 10.5%.

In the wake of the outbreak of the war in Ukraine in 2022, we severed all our business ties with the aggressor countries. Our Ukrainian plant continues to operate under difficult conditions, yet we consider employee safety, preserving jobs and guaranteeing income to our employees a priority in this situation.

After the 2020 environmental incident at Grigeo Klaipėda AB, a court trial was launched in 2022. We have assumed a moral responsibility for this incident, and we hope that the court will evaluate the fact of potential damage having been done to the environment and once this has been accomplished, will determine the objective extent of that damage. This would allow Grigeo Klaipėda AB to reverse the impact its actions have had on the environment in an equitable manner and in line with international standards.

Next year, we will continue to consistently improve the financial, environmental, social, and governance sustainability of the Group and pursue our mission of building a circular future.

Gintautas Pangonis

President of Grigeo AB

CONSOLIDATED ANNUAL REPORT

1. Business model

Grigeo AB (hereinafter the “Company” or the “Issuer”) company group is the only paper and wood industry company group in Lithuania and one of the largest groups in the Baltic countries. Grigeo AB company group consists of the following entities: Grigeo AB, Grigeo Packaging UAB, Grigeo Baltwood UAB, Grigeo Klaipėda AB, Mena Pak AT, Grigeo Recycling UAB and Grigeo Recycling SIA and Grigeo Investicijų Valdymas UAB (hereinafter the “Group”).

1.1. The future is circular

The Group operates following the principle of a circular economy. A part of paper used for the production of tissue paper products and all raw materials designated for the production of corrugated cardboard, i.e., testliner (smooth layered cardboard) and fluting (paper for corrugation and raw material for paper honeycomb), are produced by recycling secondary raw materials, i.e., waste paper, thus contributing to the reduction of waste in Lithuania and neighbouring countries as well as to the preservation of forests:

Production of tissue paper

- Recycling of white waste paper
- 24,599 tonnes recycled into tissue paper

Collecting, sorting and recycling of waste paper

- 131,557 tonnes recycled
- 81% of waste paper cardboard paper production

Containerboard

- 99% of reclaimed all materials
- 106,958 tonnes recycled into containerboard

Significant role in logistics

- Reducing food waste: corrugated cardboard packaging is hygienic and storing fruits and vegetables for longer periods.
- Fewer trucks on the road: corrugated cardboard packaging is cost-efficient and highly versatile which allows optimisation of pace for transport and storage.

Converting paper to packaging

- 32% of paper made by Grigeo Klaipėda AB is further converted to corrugated cardboard in our packaging plants
- We cooperated closely with our clients, 100% of our packaging is custom-made.

In the scope of its operational processes, the Group performs an almost complete cycle of processing of wood and paper components, producing products with higher added value: tissue paper, i.e., toilet paper, tissues, paper towels, paper to produce corrugated cardboard, honeycomb, corrugated cardboard and packaging, as well as solid fibreboard. Corrugated cardboard packaging has the following characteristics:

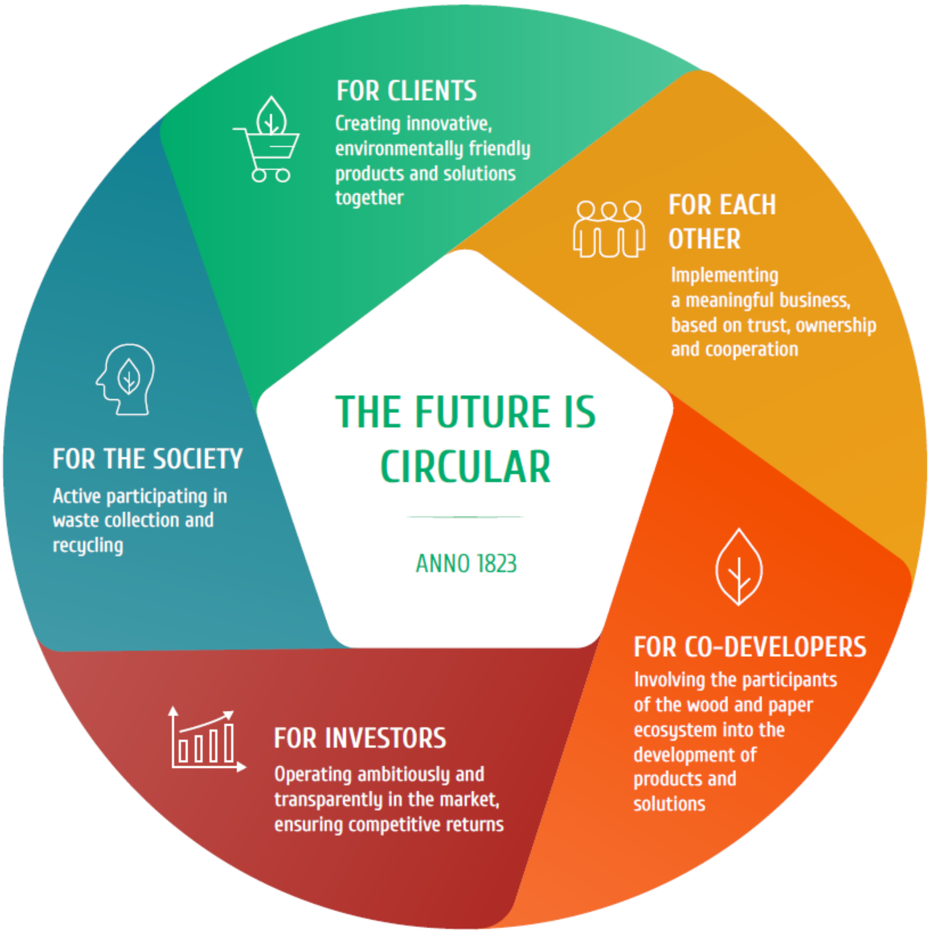
- Products are 100% recyclable, organic and biodegradable.
- The 2021 study conducted by Graz University of Technology in Austria concluded that corrugated cardboard can be recycled up to 25 times.
- Recycled paper provides 76% of raw material for new corrugated cardboard packaging, ensuring the continuous renewal of fibres while making a universal packaging for our customers.

Corrugated cardboard packaging is currently one of the most recycled paper products and the market of secondary raw materials is well established. Efficient recycling processes allow reusing fibre to produce new packaging.

GRI: 2-1 2-6 301-1 301-2 301-3

1.2. Our mission and values

Our mission and its directions:



FOR CLIENTS:
Creating innovative, environmentally friendly products and solutions together

FOR EACH OTHER:
Implementing a meaningful business, based on trust, ownership and cooperation

FOR CO-DEVELOPERS:
Involving the participants of the wood and paper ecosystem into the development of products and solutions

FOR INVESTORS:
Operating ambitiously and transparently in the market, ensuring competitive returns

FOR THE SOCIETY:
Active participating in waste collection and recycling

Our values:

Responsible 360°

Whatever we do, let's always think about the impact on our environment because it's our home.

The best measurement of our work is a satisfied client.

Working like for ourselves makes us proud with the work done.

Agile

We grow faster than the market.

Even the best result can be better.

Every investor's euro that is targeted makes us more valuable.

Professional

A preconception is eliminated while considering proposed ideas.

Knowing everything is impossible – we improve by learning and sharing a good practice.

We speak the language of numbers and facts.

Teamwork

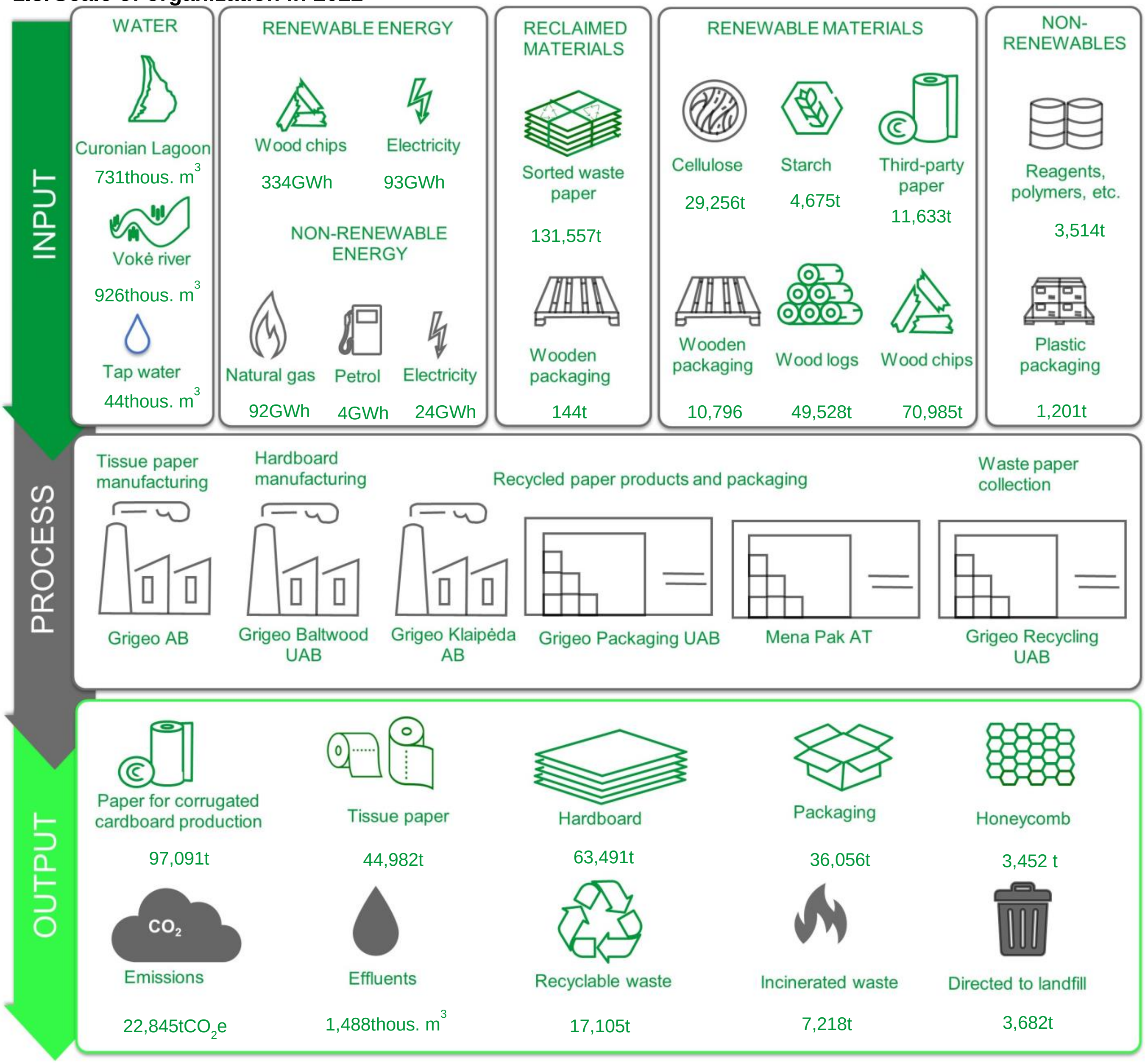
Good result is a merit of a good team.

The team is as strong as you are in it.

Before demanding from others, demand more from ourselves.

All amounts are in EUR thousands unless otherwise stated

1.3. Scale of organization in 2022



Consolidated revenue:	EUR 203.2m
Consolidated EBITDA:	EUR 21.4m
Consolidated net profit:	EUR 10.6m
Employee remuneration fund:	EUR 23.4m
Paid in taxes:	EUR 11.7m
Purchases from local suppliers:	66.5%
Export share of total production:	63.5%

865 EMPLOYEES

Lithuania: 770
Ukraine: 84
Latvia: 11

26.4% Women

Subsidies received under programmes for companies in sectors particularly affected by energy prices: EUR 1.0m

Support provided: EUR 0.3m

MEMBERSHIPS IN ASSOCIATIONS

GRI: 2-6 2-7 2-28 201-1 201-4 204-1 301-1 301-2 301-3 302-1 303-1 303-3 305-2 306-3

2. Overview of operations

2.1. Executive summary of 2022

Impact of war

The war in Ukraine that started in February 2022 had an impact in various aspects. First, the Group's factory of corrugated cardboard products in Ukraine Mena Pak AT has stopped operations. Later, in May 2022, the activities were resumed, but the reduced human resources, more complicated logistics routes and all the risks related to the war constantly raise questions about the continuity of this business. Although the company Mena Pak AT was profitable in 2022, due to a significant decrease in profitability and future uncertainties, the parent company Grigeo Klaipėda AB had to account for the impairment of the investment of EUR 1.6 million.

The Group's sales in 2021 to Ukraine, Belarus and Russia comprised about 10.6%. Since the beginning of war, sales to Russia and Belarus were completely stopped. In 2022, the sales volumes of the Group did not decrease for this reason, as one tenth of sales were compensated in other markets.

Due to the war, the supply chain of raw materials has also changed. Cellulose, as the main raw material for tissue paper, was often supplied from the pulp factories in the Northern European countries, which produced birch pulp by importing wood from the forests of Karelia (Russia). After the sanctions, these mills ran out of birch wood, forcing the European tissue paper manufacturers, as well as the Group, to temporary import a part of their demand from other parts of the world, such as South America, which supplies eucalyptus pulp. This pulp is also FSC® chain of custody certified, which continues to ensure environmentally sound, socially responsible and economically viable forest management.

Belarusian wood chips, which were used both as biofuel in boiler rooms and as the main raw material in fibreboard, had to be replaced by alternative suppliers from Lithuania.

Impact of energy prices

A significant increase in the prices of energy resources was already visible in 2021, but the year 2022 showed price leaps that have not been seen as possible. This may raise issues of business continuity in the long term. It has become almost impossible to hedge against such price leaps at competitive prices. Today, we believe that in the long term, investments in gas supply infrastructure in Europe will stabilize and reduce gas prices, while investments in renewable electricity generation will reduce electricity prices. In the short term, to maintain financial sustainability, the Group has the following strengths:

- The generation of steam in our biofuel boilers makes it possible to be less dependent on gas. In addition, steam generation from biofuel is significantly cheaper than steam from natural gas.
- Low debt-equity ratio does not create significant financial risk after the increases of base interest rate.
- A sufficient level of working capital is constantly maintained to absorb the spikes in the demand for working capital due to rising energy prices (and correspondingly rising prices of raw materials).

In addition to the existing strengths, the Group has made various investments that allow producing more output with the same energy consumption. More detailed information about the investments made and future ones is presented in the section Sustainability (social responsibility) report. Similar investments are a continuous process in the Group to maintain competitiveness and resistance to energy price fluctuations.

In 2022 the Group decided to invest its funds in renewable energy production capacity, abandoning the purchase of green certificates on the market, the price of which has increased drastically. More than 3 MWh solar power plant should start production in 2024.

Most of the Group's activities are treated as sectors particularly affected by the energy crisis. The State Tax Inspectorate classifies the Group companies (Grigeo AB, Grigeo Klaipėda AB, Grigeo Packaging UAB) as large taxpayers. The Group exercised the right to receive subsidies in 2022, which were linked to the taxes paid by the Group. The total amount of received subsidies in the Group amounted to EUR 1.0 million.

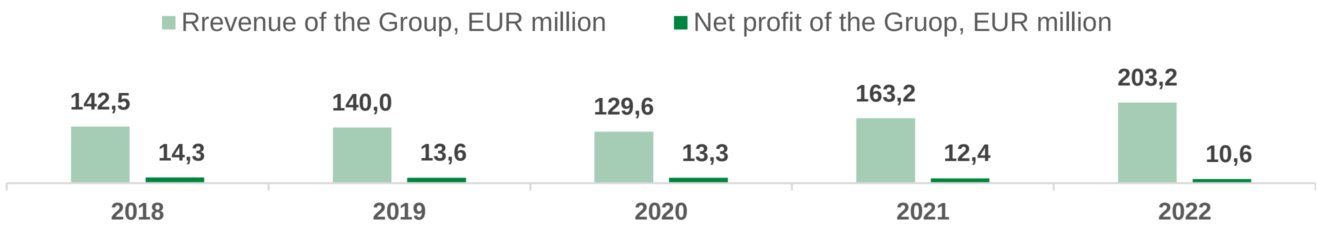
Summary of results of operations

Presented below are changes in the key indicators over 12 months of 2022, compared to the respective period of the previous year:

- The Group's and the Company's revenue increased by EUR 40.0 million (24.5%) and EUR 22.9 million (33.8%), respectively.
- The Group's EBITDA was lower by EUR 2.4 million (10.0%) and the Company's EBITDA was higher by EUR 4.2 million (70.6%).
- The Group's EBT decreased by EUR 2.0 million (14.3%) and the Company's EBT increased by EUR 14.3 million (497.5%).

Indicator, EUR million	Group			Company		
	2022	2021	Change	2022	2021	Change
Revenue	203.2	163.2	24.5%	90.5	67.6	33.8%
EBITDA	21.4	23.7	-10.0%	10.1	5.9	70.6%
Profit before tax (EBT)	11.7	13.6	-14.3%	17.2	2.9	497.5%

In 2022, the Group reached the record high level of turnover – EUR 203.2 million (EUR 163.2 million in 2021). The increase in turnover was determined by the adjustments of sales prices considering the significant increase in the prices of energy resources and raw materials in the market.



The Group's net profit for 2022 decreased and was equal to EUR 10.6 million (EUR 12.4 million in 2021). Despite increase in turnover, the Group's profitability ratios declined due to a significant increase in prices of raw materials and energy resources (the comparison of ratios is presented in section 2.2).

The Group's performance remains satisfactory due to business diversification: more profitable segments compensate poorer performance of other segments at different times, and vertical integration, i.e., the Group covers a full production cycle of corrugated cardboard and related products, and in the tissue paper segment – from paper production to final products.

More detailed information on reasons of these changes is presented in the table and explanations below according to business segments.

Revenue, gross profit, and gross margin of the business segments*:

Indicator, EUR million	Tissue paper and paper products		Wood fibreboards		Raw materials for corrugated cardboard and related products		Unallocated		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	77.7	60.7	27.7	20.7	93.0	78.7	4.9	3.1	203.2	163.2
Gross profit	11.1	9.6	2.3	4.5	16.8	19.1	0.7	0.3	30.8	33.6
Gross margin	14.2%	15.9%	8.3%	21.7%	18.0%	24.3%	14.3%	9.5%	15.2%	20.6%

*The data is presented after the elimination of the impact of transactions between the segments.

Segment of tissue paper and paper products

The segment's turnover in 2022 reached EUR 77.7 million (EUR 60.7 million in 2021). The increase in turnover was mainly driven by the increase in the prices of products sold as well as higher sales of final products.

Despite a higher turnover, the segment's gross profitability in 2022 decreased to 14.2% (15.9% in 2021). The decrease in gross profitability was caused by significant increases in the prices of energy and raw materials.

Prices of raw materials stabilised to some extent at the second half of 2022 with some decreases in prices seen as well. The record high energy prices are expected to fall once Europe ensures additional gas supply and electricity production capabilities.

Segment of wood fibreboards

The segment's sales revenue amounted to EUR 27.7 million (EUR 20.7 million in 2021). The main reason for the increase in turnover was higher sales prices.

The increase in sale prices in this segment was determined by the global rise in the prices of wood raw materials. Significantly higher energy prices contributed to the increase in the cost of the segment's products, leading to the decrease of the segment's profitability to 8.3% in 2022 (2021: 21.7%).

The main buyers of wood fibreboard products are manufacturers of cabinet furniture and soft furnishings, manufacturers and users of specialized packaging solutions, DIY (Do-It-Yourself) sector, and construction companies.

The Group's management believes that the prices in this segment, both in respect of raw materials and final products, will remain at a high level.

Raw materials for corrugated cardboard and related products

In 2022, this segment showed a growth – sales revenue reached EUR 93.0 million. It was 18.1% higher than in 2021 (EUR 78.7 million). The segment was negatively affected by increase in prices of waste paper and significant increase in the prices of energy resources in 2022. As a result, the gross margin of the segment decreased to 18.0% in 2022 (in 2021 – 24.3%).

The segment's sales of raw materials for corrugated cardboard (paper rolls) reached 97.1 thousand tons and were 5.1% lower than in 2021 (102.3 thousand tons). Sales of related products (corrugated cardboard boxes and sheets) in 2022 reached 38.5 thousand tons and were 20.8% lower than in 2021 (48.6 thousand tons).

Higher segment revenue was mostly affected by higher sales prices. The Group's management believes that the uncertainties in the global economy as well as expected recession might lead to lower sales volumes of this segment, as the packaging solutions are very often used by other industries.

2.2. Financial and operating performance of the Group and the Company

In 2022, the profitability indicators declined due to increase in the prices of raw materials and energy resources. The values of the liquidity and capital structure ratios remained at a similar level compared to the respective values in 2021 – the ratios confirm the financial stability as well as low financial risk of the Group and the Company.

Indicator	Group			Company		
	2022	2021	2020	2022	2021	2020
Revenue, EUR million	203.2	163.2	129.6	90.5	67.6	63.7
Net profit, EUR million	10.6	12.4	13.3	16.4	3.2	9.0
EBITDA, EUR million	21.4	23.7	26.2	10.1	5.9	14.8
EBIT, EUR million	12.1	13.9	15.1	17.3	3.0	10.0
Profitability ratios						
Gross margin	15.2%	20.6%	25.8%	12.0%	13.4%	27.2%
EBITDA margin	10.5%	14.5%	20.2%	11.2%	8.8%	23.2%
EBIT margin	6.0%	8.5%	11.7%	19.1%	4.4%	15.7%
Net margin	5.2%	7.5%	10.3%	18.1%	4.8%	14.1%
ROE margin	11.0%	13.3%	16.0%	26.7%	5.5%	15.9%
ROA margin	7.6%	9.6%	11.1%	19.9%	4.2%	12.0%
ROCE margin	11.2%	13.8%	15.8%	24.6%	5.0%	15.6%
Liquidity ratios						
Current ratio	1.71	1.51	1.56	1.75	1.01	1.63
Quick ratio	1.13	1.07	1.23	1.22	0.72	1.33
Capital structure ratios						
Debt to equity ratio	0.46	0.41	0.38	0.35	0.33	0.28
Debt to total assets ratio	0.31	0.29	0.27	0.26	0.25	0.22
Market value ratios*						
P/E	8.79	9.92	6.57	5.64	37.83	9.73
Dividend pay-out ratio	62.4%	64.3%	-	40.1%	245.1%	-
Basic earnings per share, in EUR	0.080	0.093	0.101	0.125	0.024	0.068
Diluted earnings per share, in EUR	0.080	0.093	0.100	0.124	0.024	0.068

*Ratios for year 2020 were restated following the Company's authorised share capital increase on 19 May 2021 using the Company's retained earnings (section 4.2).

The above-mentioned indicators have been calculated in accordance with the formulas recommended by Nasdaq Vilnius AB:

EBITDA margin = EBITDA / sales revenue. EBITDA to revenue ratio shows the overview of operational efficiency and cash flows.
Gross margin = Gross profit / sales revenue. Gross profit margin shows the ability to earn profit from operating activity, control the level of sales revenue and cost.
EBIT margin = Profit from operations / sales revenue. A monetary value of the coefficient shows operating profit to EUR 1 of sales. A higher ratio shows higher profitability.
Net margin = Net profit attributable to shareholders / sales revenue. The ratio describes the profitability of the final total operating result.
ROE margin = Net profit attributable to shareholders / average equity. This ratio estimates shareholders' return on investment.
ROA margin = Net profit attributable to shareholders / average assets. The return on assets shows how effectively assets are used to generate profit.
ROCE margin = EBIT / capital used. The used capital return shows income generated by each euro invested in the capital.
Current ratio = Current assets / current liabilities. The ratio shows the ability to cover current liabilities with current assets.
Quick ratio = (Current assets – Inventories) / current liabilities. Liquidity describing the ability to fulfil current liabilities from quickly realisable current assets.
Debt to equity ratio = Liabilities / equity. The ratio estimates the combination of fund resources in the balance and compares funds from owners and those that were borrowed.
Debt ratio = Liabilities / assets. The ratio shows the asset share financed from borrowed funds. The lower the value, the more borrowings are covered with assets.
P/E = the market price of share / total of attributable profit. The ratio shows how much investors pay for one EUR of profit.
Dividend pay-out ratio = Dividends / Net profit attributable to shareholders. The ratio shows the portion of earnings paid out as dividends.
Basic earnings per share = (Net profit – preferred stock dividends) / weighted average number of ordinary shares in circulation. The calculated profit shows the earned net profit per share.
Diluted earnings per share = (Net profit – preferred stock dividends) / (weighted average number of ordinary shares in circulation + weighted average number of dilutive shares, i.e. shares that can be converted to ordinary shares). The calculated profit shows the diluted net profit per share.

All amounts are in EUR thousands unless otherwise stated

2.3. Business plans and forecasts of the Group

In 2023, the Group plans various investments and modernisations that will contribute to higher efficiency in production processes, as well as sustainability-enhancing investments that will contribute to the improvement of environmental protection, a safer working environment, and energy savings.

The main planned investments include as follows:

Grigeo AB

Having successfully implemented investments in new production equipment in recent years, Grigeo AB plans to invest in a condensing economiser, rooftop solar power plants, various other systems that will improve the safety and comfort of the working environment (additional air-cooling systems, security solutions for loading goods, modernization of lighting and others).

Grigeo Klaipėda AB

Grigeo Klaipėda AB plans to renew gas steam boiler burners, also plans to modernise the treatment of circulating water generated in the paper production process by installing an anaerobic bioreactor for circulating water treatment, and other investments. The wastewater treatment efficiency of the anaerobic bioreactor according to BOD_7 is at least 80%.

2.4. Employees

There were no significant changes in the number of employees during 2022. Natural personnel turnover rates prevailed in the Group companies in the reported period.

The average salary in the Company and in the Group increased for all categories of employees as compared to the year 2021. The growth of the average salary was mostly driven by the consistent salary increase policy and recruitment of workers with higher competences.

The number of employees in the Group and in the Company as at 31 December:

Employees	Group		Company	
	2022	2021	2022	2021
Women	228	222	70	69
Men	637	639	210	201
Total	**865**	**861**	**280**	**270**

The average salary in the Group and in the Company*, in euros:

Employees	Group		Company	
	2022	2021	2022	2021
Workers	1,973	1,822	2,143	1,890
Specialists	2,268	2,139	2,466	2,218
Managers	4,959	4,559	5,983	5,583
Total	**2,394**	**2,214**	**2,673**	**2,393**

*Information on the average salary does not include data of Mena Pak AT to show a more precise average salary in the Group that is not affected by fluctuations in exchange rate of the Ukrainian hryvnia.

2.5. Environmental protection

The Group fully recognises that sustainable development embraces economic, environmental and social business issues which remain relevant in the daily operations of the organization. In 2022 the Group consistently made investments the majority of which was aimed at the acquisition of modern, more efficient facilities and improvement of processes of environmental protection. After the environmental incident in Grigeo Klaipėda AB that took place in 2020, in 2021 the prosecutor's office completed the pre-trial investigation regarding the wastewater treatment carried out by Grigeo Klaipėda AB, and the criminal proceedings were referred to the court. The court hearings have started in 2022. Assuming moral responsibility we hope that the fact of damage to the natural environment will be established by the court and, once it has been established, an objective scope of damage will be determined. This will allow Grigeo Klaipėda AB to recover the impact made on the natural environment in a fair manner and in compliance with international standards.

We have set clear targets for our future development. Our continuous sustainability targets include:

- reducing our GHG emission intensity,

- reduce number of accidents at work
- improve nature- and people-friendly product properties,
- select more environmentally friendly mix of energy sources,
- invest in energy efficiency,
- promote responsible collection of waste paper,
- better manage the wastewater quality,
- reduce the disposable waste.

More information on sustainability targets is disclosed in section Sustainability (social responsibility) report.

Environmental management system certificates ISO 14001:2015 implemented at the companies of the Group are a proof that we aim to control the environmental impact in our production and distribution processes. We responsibly choose and use raw materials and energy sources, implement environmentally friendly technologies, and manage production waste – these priorities will remain the focus of our Group entities future activities.

2.6. EU Taxonomy

The disclosure requirements of the European Union (EU) Taxonomy came into force as of 1 January 2022. The Taxonomy is the EU-wide classification system, which will allow businesses and investors speak the same language in identifying those economic activities which are considered environmentally sustainable.EU taxonomy foresees the following environmental objectives:

- climate change mitigation,
- climate change adaptation,
- the sustainable use and protection of water and marine resources,
- the transition to a circular economy,
- pollution prevention and control,
- the protection and restoration of biodiversity and ecosystems.

The companies a required to disclose the proportion of turnover, CapEx and OpEx from products or services associated with Taxonomy-aligned economic activities.

Taxonomy-eligible economic activity is an activity, which, as foreseen by the Taxonomy regulation, makes a substantial contribution to one of the six environmental objectives of the Taxonomy. Whether an activity is Taxonomy-eligible or Taxonomy-non-eligible says nothing about the sustainability or unsustainability of that activity.

Taxonomy-aligned economic activity is an economic activity, which is considered as environmentally sustainable. Such activity must meet the following criteria:

- contribute substantially to one or more of the environmental objectives,
- do not significantly harm (DNSH) any of the environmental objectives,
- is carried out in compliance with the minimum safeguards laid down Taxonomy Regulation,
- complies with technical screening criteria that have been established by the European Commission.

The main activities of the Group are not yet included in the Taxonomy Regulation. However, the Group identified secondary activities that are Taxonomy eligible:

- Production of heat from gas,
- Production of heat from bioenergy.

The proportions of taxonomy-aligned turnover, CapEx and OpEx as well as related specification of disclosures of the Group are disclosed in Sustainability (social responsibility) report, section 7.12 Taxonomy disclosures.

2.7. Risk management

Ecological risk

The Group is constantly exposed to ecological risks during its manufacturing activities. To properly manage environmental risks, ISO 14001 (Environmental Management System) has been implemented in all of the Group's manufacturing companies in Lithuania, the effectiveness of which is constantly monitored with the help of external certification consultants.

The Company follows the integrated pollution prevention and control principles in its economic activities. The Company rationally uses energy and natural resources through the application of modern production technologies and technologies for the treatment of environmental components without worsening the quality of the products manufactured.

Product risk

The Group's hygiene paper segment manufactures products that come into contact with food or are used as personal hygiene products. For these reasons, the Group must apply the highest quality standards.

In 2020, Grigeo AB was the first personal hygiene product manufacturer in Lithuania to receive an IFS HPC quality certificate. It accredits that tissue paper products are manufactured in compliance with the highest quality and safety standards and the products supplied to the market are safe to be in contact with food.

This certification is carried out every year. In 2022, the certificate was renewed. The Group plans to continue renewing this certificate on an annual basis to maintain a minimal risk of the tissue paper product.

Climate change risk

The management of the Group recognises the importance of analysis in disclosing climate-related risks and opportunities. In 2021, the Group's management decided to start with a qualitative analysis that will help explore a possible range of effects of climate change. During 2022, the Group continued its analysis and used the reporting principles of the Climate-Related Financial Disclosure Working Group (TCFD) to analyse the potential impact of the climate change on the activities of the companies of the Group.

Although the physical risk to the Group is low, in the opinion of the management, the reputational risk and market risk remain significant in the context of the climate change risk. During the production process, the Group's companies emit greenhouse gases (GHGs) and the Group is sensitive to electricity needs. In order to ensure the Group's transparency, the Group provides GHG emissions data calculated by the independent consultants (see section 'Sustainability (social responsibility) report') and sets targets for reducing emissions and energy needs through technological means, through the purchase of new and more energy-efficient equipment and upgrade of existing ones.

Risk of prices of raw materials

The markets of raw materials relevant for the paper and wood industry are showing signs of stabilisation (cellulose, white waste paper, starch), and in some markets (various types of paper, cardboard waste paper, wood chips) a significant price decrease is seen. This is related to both the reduced demand for raw materials, as well as the significantly increased availability of various logistics channels and the resulting drop in logistics costs.

To manage this risk, the companies of the Group renewed the annual supply contracts with the main suppliers of raw materials, maintaining and, in some cases, significantly improving the supply conditions. The Group companies avoided downtime due to the lack of raw materials, therefore, looking to 2023, due to increased availability, stabilization of prices, and, in some markets, a decrease in prices, a significant decrease in this risk can be predicted.

Risk of prices of energy resources

Due to the start of the war in Ukraine, the flow of energy resources from Russia and Belarus has decreased or even completely stopped. Also, insufficient supply of cheap energy sources in 2022 resulted in multiple increase in the prices of these resources. The war and the supply restrictions caused by it led to a large increase and variability of electricity, gas and biofuel prices, which have a significant impact on the cost of the Group's production.

In 2022 the companies of the Group renewed electricity, gas and biofuel supply contracts, focusing special attention on the reliability and flexibility of the selected partners, i.e. the ability to ensure the necessary energy resources and respond promptly to market changes. Decisions have been made to invest in renewable energy resources, thus reducing both the need for their purchase and the costs incurred by the Group companies. The Group also invests in new technologies that allow to increase energy efficiency and at the same time reduce the need for energy resources. Despite the above actions, the risk of high energy prices remains high and can be significantly reduced only in a longer (>1 year) perspective along with market changes both in the country and in the entire affected region.

Risk related to the process of financial reporting

The Company's financial accounting is performed, and financial statements are prepared in accordance with the requirements of International Financial Reporting Standards, as adopted by the European Union effective at 31 December 2022. The annual financial statements are audited by the independent auditors elected by the General Meeting of Shareholders. Independence of the auditors is assessed by the Company's Audit Committee. This procedure guarantees the relevance and transparency of the data presented in the Company's financial statements.

Financial risk

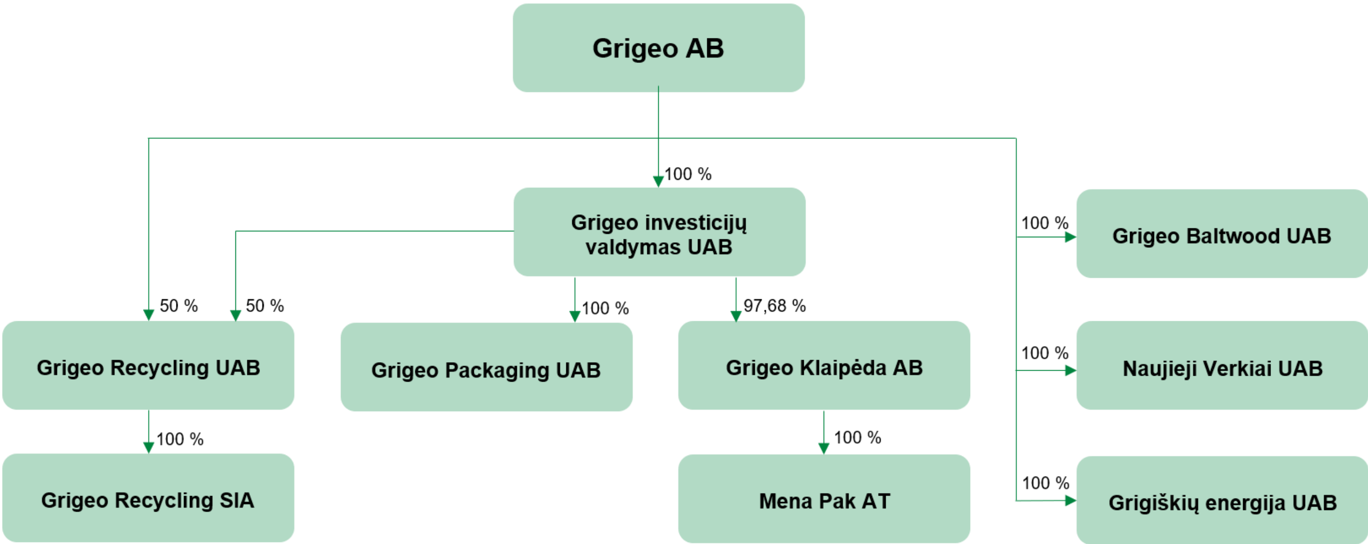
The information on financial risks and their management is disclosed in Note 3 to the consolidated and separate financial statements.

All amounts are in EUR thousands unless otherwise stated

3. Group companies

3.1. Structure and contact details

As at 31 December 2022, the Group consisted of the Company and its nine subsidiaries as indicated below:



The Company has sales representatives operating in Latvia and Estonia. No new representative offices or branches are planned to be opened in 2023.

Status	Parent company	Subsidiary	Subsidiary
Company name	**Grigeo** AB	**Grigeo Klaipėda** AB	**Grigeo Packaging** UAB
Code	110012450	141011268	302329061
Authorised share capital	EUR 38,106,000	EUR 11,890,550	EUR 15,202,900
Portion of shares directly/indirectly controlled by Grigeo AB	The Company has not acquired own shares	97.68%	100%
LEI code	529900YXT3CDTZGS0R43	64880O4VY4HF60K96D17	-
Address	Vilniaus g. 10, Grigiškės, Vilnius City Municipality, Lithuania	Nemuno g. 2, Klaipėda	Vilniaus g. 10, Grigiškės, Vilnius City Municipality
Telephone	+370 5 243 5801	+370 46 39 5601	+370 5 243 5838
Fax	-	+370 46 39 5600	-
E-mail	info@grigeo.lt	info.klaipeda@grigeo.lt	info.packaging@grigeo.lt
Website	https://www.grigeo.lt/en	https://www.grigeo.lt/en	https://www.grigeo.lt/en
Legal form	Public limited liability company	Public limited liability company	Private limited liability company
Date of registration	23 May 1991	22 September 1994	10 April 2009
Manager of the register	State enterprise Centre of Registers	State enterprise Centre of Registers	State enterprise Centre of Registers

Status	Subsidiary	Subsidiary	Subsidiary
Company name	**Grigeo Baltwood** UAB	**Grigeo Recycling** UAB	**Grigeo Recycling** SIA
Code	126199731	302529158	40203001091
Authorised share capital	EUR 4,000,000	EUR 2,960,000	EUR 500,000
Portion of shares directly/indirectly controlled by Grigeo AB	100%	100%	100%
Address	Vilniaus g. 10, Grigiškės, Vilnius City Municipality	Vilniaus g. 10, Grigiškės, Vilnius City Municipality	Ēdoles iela 5, Riga, Latvia
Telephone	+370 5 243 5900	+370 5 243 3393	+370 5 243 3393
Fax	+370 5 243 5910	-	-
E-mail	info.baltwood@grigeo.lt	info.recycling@grigeo.lt	info.recycling@grigeo.lt
Website	https://www.grigeo.lt/en	https://www.grigeo.lt/en	-
Legal form	Private limited liability company	Private limited liability company	Private limited liability company
Date of registration	10 April 2003	16 July 2010	16 June 2016
Manager of the register	State enterprise Centre of Registers	State enterprise Centre of Registers	Register of Enterprises of the Republic of Latvia

Status	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Company name	**Mena Pak** AT	**Grigeo Investicijų Valdymas** UAB	**Naujieji Verkiai** UAB	**Grigiškių Energija** UAB
Code	00383260	302416687	300015674	302674488
Authorised share capital	UAH 4,011,470	EUR 19,329,776	EUR 28,962	EUR 2,900
Portion of shares directly/indirectly controlled by Grigeo AB	100%	100%	100%	100%
Address	Koševovo g. 6, Chernihiv region, Mena, Ukraine	Vilniaus g. 10, Grigiškės, Vilnius City Municipality	Popieriaus g. 15, Vilnius	Vilniaus g. 10, Grigiškės, Vilnius City Municipality
Telephone	+380 4644 21341	+370 698 87433	+370 5 243 5933	+370 5 243 5933
Fax	+380 4644 21084	-	-	-
E-mail	menapack@ukr.net	info.giv@grigeo.lt	info@grigeo.lt	vigmantas.kazukauskas@grigeo.lt
Website	www.menapack.com.ua	-	-	-
Legal form	Public limited liability company	Private limited liability company	Private limited liability company	Private limited liability company
Date of registration	30 December 1993	10 July 2009	6 April 2004	7 October 2011
Manager of the register	Mena District State Administration, Chernihiv Region	State enterprise Centre of Registers	State enterprise Centre of Registers	State enterprise Centre of Registers

3.2. Main activities of the Group companies

The main business activity of Grigeo AB is the production of tissue paper.

Grigeo Klaipėda AB manufactures the raw material to produce corrugated cardboard – testliner (smooth layered cardboard) and fluting (paper for corrugation) as well as paper honeycomb used in the furniture industry.

Grigeo Packaging UAB manufactures corrugated cardboard and corrugated cardboard products.

Grigeo Baltwood UAB manufactures uncoloured hardboard and painted hardboard panels.

Grigeo Recycling UAB collects secondary raw materials and prepares them for recycling.

Grigeo Recycling SIA collects secondary raw materials and prepares them for recycling.

All amounts are in EUR thousands unless otherwise stated

Mena Pak AT (in Ukranian – *акціонерне товариство „МЕНА ПАК“*) manufactures corrugated cardboard and corrugated cardboard products.

Grigeo Investicijų Valdymas UAB is engaged in investment activities and management of companies.

Naujieji Verkiai UAB is engaged in construction and development of real estate; the company was dormant in 2022.

The activities of Grigiškių Energija UAB are related to heat production and sale; the company was dormant in 2022.

The transactions between related parties are disclosed in Note 30 to the financial statements.

4. Data on the Issuer's securities

The ordinary registered shares of Grigeo AB are listed on the Official Baltic List of Nasdaq Vilnius Stock Exchange (trading code of shares is GRG1L).

The Company and the companies of the Group did not purchase own shares during the reporting period and have no such shares acquired.

4.1. Contracts with intermediaries of public trading in securities

The Company has signed a contract with Šiaulių Bankas AB (telephone: 1813 (+370 37 301337 for calls from abroad), kc@sb.lt) on payment of dividends to the shareholders for the previous financial year.

The Company has signed a contract with FMĮ Orion Securities UAB (A. Tumėno g. 4, Vilnius, tel. +370 5 231 3833, info@orion.lt) on the bookkeeping of securities issued by the Company and on market making activities.

4.2. Main characteristics of the Company's shares

Date	Type of shares	Securities' ISIN code	Number of shares, units	Par value, EUR	Total par value, EUR
Until 18/05/2021	Ordinary registered shares	LT0000102030	65,700,000	0.29	19,053,000
From 19/05/2021	Ordinary registered shares	LT0000102030	131,400,000	0.29	38,106,000

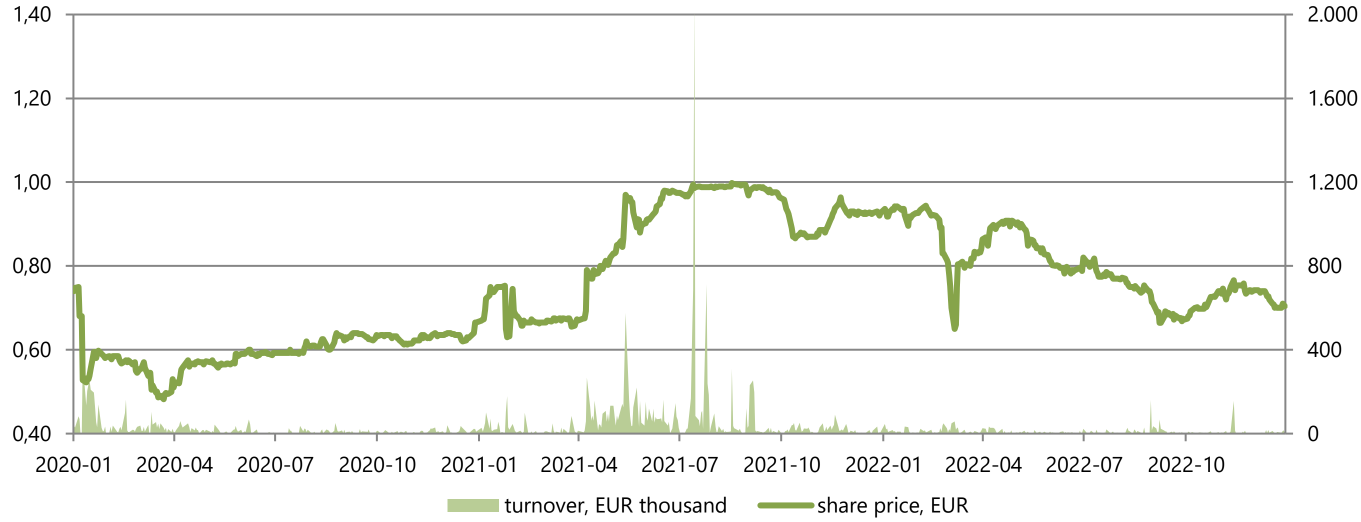
Based on the decision of the Ordinary General Meeting of Shareholders held on 30 April 2021, the Company's authorised share capital was increased on 19 May 2021 out of the Company's retained earnings from EUR 19,053 thousand to EUR 38,106 thousand by issuing 65,700,000 ordinary registered shares with par value of EUR 0.29.

4.3. Trade in the Company's shares

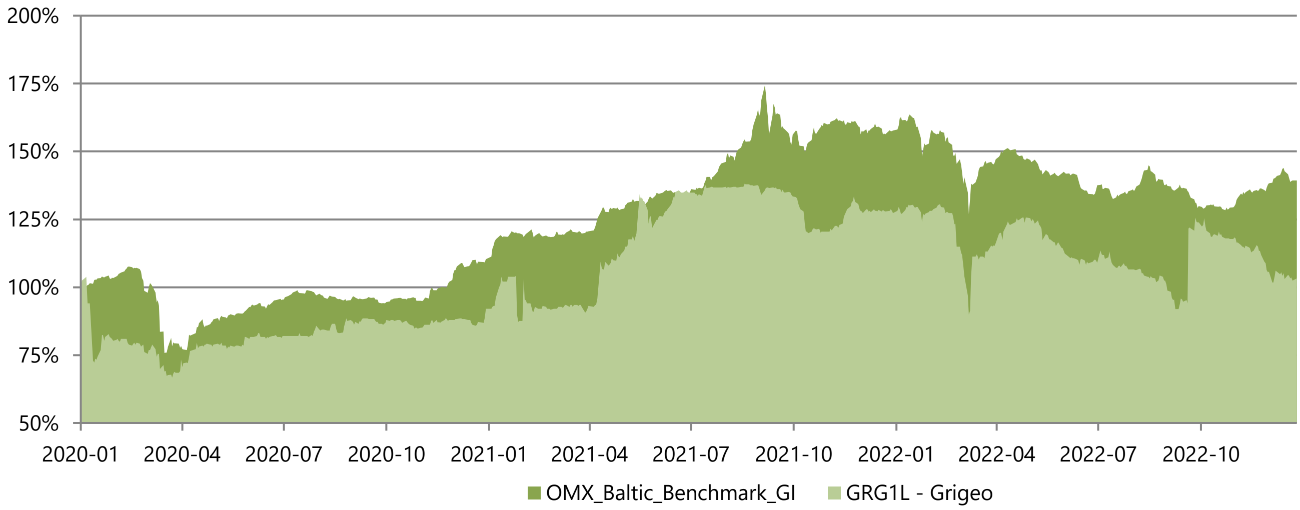
Reporting period	Price, EUR				Turnover, EUR			Total turnover	
	Max.	Min.	Last session	Average	Max.	Min.	Last session	Units	EUR
2019	**0.735**	**0.653**	**0.723**	**0.698**	**104,495**	**-**	**13,623**	**3,990,714**	**2,783,923**
2020, Q1	0.750	0.482	0.530	0.554	342,036	310	23,212	6,240,586	3,458,776
2020, Q2	0.600	0.510	0.593	0.567	67,608	11	6,651	1,630,360	925,039
2020, Q3	0.640	0.590	0.628	0.616	50,999	151	2,737	985,304	606,631
2020, Q4	0.665	0.613	0.665	0.630	40,416	9	9,670	973,192	613,338
2020	**0.750**	**0.482**	**0.665**	**0.570**	**342,036**	**9**	**9,670**	**9,829,442**	**5,603,785**
2021, Q1	0.753	0.630	0.673	0.676	178,553	77	3,085	2,120,000	1,432,306
2021, Q2	0.980	0.670	0.974	0.878	576,103	1,782	64,516	6,366,053	5,590,079
2021, Q3	0.998	0.964	0.964	0.986	2,079,207	3,054	12,209	6,960,462	6,862,103
2021, Q4	0.964	0.866	0.926	0.905	90,003	260	6,726	1,265,914	1,145,714
2021	**0.998**	**0.630**	**0.926**	**0.899**	**2,079,207**	**77**	**6,726**	**16,712,429**	**15,030,202**
2022, Q1	0.944	0.650	0.840	0.832	57,663	340	14,324	1,044,261	869,038
2022, Q2	0.908	0.782	0.788	0.856	34,250	97	2,406	562,634	481,777
2022, Q3	0.820	0.664	0.672	0.729	160,293	353	2,729	1,037,585	756,833
2022, Q4	0.766	0.674	0.704	0.720	155,835	343	3,831	634,139	456,842
2022	**0.944**	**0.650**	**0.704**	**0.782**	**160,293**	**97**	**3,831**	**3,278,619**	**2,564,490**

All amounts are in EUR thousands unless otherwise stated

Price and turnover of shares over the period 01/01/2020 – 31/12/2022:



Share price benchmarked against the Baltic market index over the period 01/01/2020 – 31/12/2022:



4.4. Capitalisation of the Company's shares

Last session date	Capitalisation, EUR
31/12/2019	**94,936,500**
31/03/2020	69,642,000
30/06/2020	77,854,500
30/09/2020	82,453,500
31/12/2020	**87,381,000**
31/03/2021	88,366,500
30/06/2021	127,983,600
30/09/2021	126,669,600
31/12/2021	**121,676,400**
31/03/2022	110,376,000
30/06/2022	103,543,200
30/09/2022	88,300,800
31/12/2022	**92,505,600**

All amounts are in EUR thousands unless otherwise stated

5. Corporate governance report

The applied corporate governance code and information on compliance with the code are presented in the section “Statement of compliance with the corporate governance code”.

5.1. Significant directly and indirectly controlled shares

As at 31 December 2022, the number of shareholders of Grigeo AB was 4,676 (31 December 2021: 4,360).

There are no shareholders holding special controlling rights at the Company. There are no limitations of voting rights at the Company. Moreover, the Company is not aware of any agreements between the shareholders, including those under which a transfer of securities and / or voting rights could be restricted.

Shareholders holding more than 5% of the Issuer’s authorised share capital by the right of ownership as at 31 December 2022 and 31 December 2021 are presented in the table below:

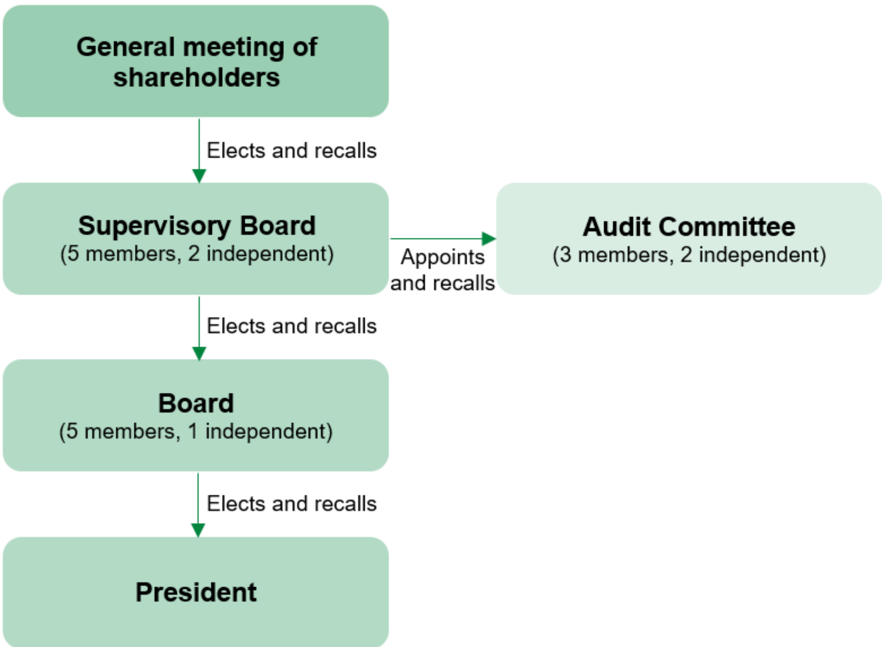
Shareholder’s name, surname (company’s name, type, registered office address, company code	31 December 2022			31 December 2021		
	Number of ordinary registered shares owned by the shareholder, units	Portion of the authorised share capital held, %	Votes granted by shares held by the right of ownership, %	Number of ordinary registered shares owned by the shareholder, units	Portion of the authorised share capital held, %	Votes granted by shares held by the right of ownership, %
Ginvildos investicija UAB* Turniškių g. 10a-2, Vilnius, 125436533	60,809,151	46.28	46.28	60,809,151	46.28	46.28
Irena Ona Mišeikienė	17,578,342	13.38	13.38	17,168,342	13.07	13.07

*Gintautas Pangonis holds 100% of shares of Ginvildos Investicija UAB.

5.2. Rules regulating the election and replacement of the management and supervisory bodies

According to the Company’s Articles of Association, the Company’s bodies are the General Meeting of Shareholders, the Supervisory Board (the collegial supervisory body), the Board (the collegial management body), and the Manager of the Company (the President). The Audit Committee is formed at the Company, which is the advisory body to the Company’s Supervisory Board.

The Company’s objective is to ensure diversity of qualifications, professional experience and competences as well as gender equality of the elected members of the management and supervisory bodies.



Supervisory Board

The Supervisory Board consists of five members. The members of the Supervisory Board are elected by the General Meeting of Shareholders for a period of four years as defined by the Articles of Association of the Company. The General Meeting of Shareholders may recall the entire Supervisory Board or its individual members before the end of the term of office of the Supervisory Board. In the election of the members of the Supervisory Board, each shareholder holds the number of votes which is equal to the number of votes conferred by the shares held by them multiplied by the number of the Supervisory Board members to be elected. The shareholder distributes these votes at his own discretion – in favour of one or several candidates. The candidates who have collected the largest number of votes are elected. In case the number of candidates who collected equal number of votes exceeds the number of vacancies on the Supervisory Board, a repeated voting is organised during which each shareholder may vote only for one of the candidates who collected equal number of votes. The Supervisory Board performs its functions for a period defined by the Articles of Association or until a new Supervisory Board is elected but no longer than until the Ordinary General Meeting of Shareholders is held in the year in which the Supervisory Board's term of office ends. The number of terms of office of a member of the Supervisory Board is unlimited.

More than a half of the Supervisory Board members must have no employment relations with the Company, at least 1/3 of the Supervisory Board members must be independent and cannot be members of the Supervisory Board of the Company for more than 10 years. The Supervisory Board or its members commence their activities after the end of the General Meeting of Shareholders which elected the Supervisory Board or its members. The Supervisory Board is chaired by its chairperson who is elected by the Supervisory Board from its members.

Audit Committee

The Audit Committee is formed at the Company, and it consists of three members. The Audit Committee is formed, and its composition is approved by the decision of the Supervisory Board for the period defined therein but no longer than for four years. Only a private individual may be a member of the Audit Committee. The Audit Committee must include at least one Audit Committee member with knowledge of at least one of the following areas: finance, accounting, audit of financial statements, or the sector in which the company operates; at least one member of the Audit Committee must have at least three years' working experience in accounting and (or) audit of financial statements. The Manager of the Company and a person who has held this position for the past five years may not be a member of the Audit Committee. More than a half of the Audit Committee members must be independent members and may not serve as a member of the Company's Audit Committee for a total of more than 12 years. The chairperson of the Audit Committee is elected by the members of the Audit Committee. An independent member is elected to be the chairperson of the Audit Committee.

Board

The Company's Board consists of five members. The Board is elected for a period of four years as defined by the Articles of Association of the Company. The Board performs its functions for a period defined by the Articles of Association or until a new Board is elected and starts to perform its functions but no longer than until the Ordinary General Meeting of Shareholders is held in the year in which the Board's term of office ends. The Board elects the chairperson of the Board from its members. Only a private individual may be elected to be a member of the Board. The number of terms of office of a member of the Board is unlimited. The Board or its members commence their activities after the end of the meeting of the Supervisory Board which elected the Board or its members. The Supervisory Board may recall the entire Board or its individual members before the end of their term of office.

Manager of the Company

The Manager of the Company is elected, recalled and dismissed by the Board of the Company. An employment contract is signed with the Manager of the Company. The Company's Manager starts to perform his/her duties from the election day, unless otherwise provided by the agreement signed.

Articles of Association of the Company

The General Meeting of Shareholders has the exclusive right to amend the Articles of Association of the Company subject to the exceptions provided by the Law on Companies of the Republic of Lithuania. The Articles of Association of the Company are amended following the procedure established by the Law on Companies of the Republic of Lithuania.

All amounts are in EUR thousands unless otherwise stated

5.3. Management and supervisory bodies

Composition of the management and supervisory bodies

Name, surname	Position	Education	Term of office	Portion of ownership interest and voting rights, %
Supervisory Board				
Vilius Oškeliūnas	Independent Member, Chairman	Vilnius University, Bachelor's and Master's degree in Economics	From 26 April 2019 until the General Shareholders' Meeting to be held in 2023	-
Norimantas Stankevičius	Member	Vilnius University, Physicist		4.47
Romualdas Degutis	Member	Kaunas University of Technology, Telecommunications Engineer		0.03
Normantas Paliokas	Member	Vilnius Gediminas Technical University, Architect		-
Daiva Duksienė	Independent Member	Vilnius University, Economist		-
Audit Committee				
Daiva Duksienė	Independent Member, Chairwoman	Vilnius University, Economist	From 26 April 2019 until the General Shareholders' Meeting to be held in 2023	-
Norimantas Stankevičius	Member	Vilnius University, Physicist		4.47
Vilius Oškeliūnas	Independent Member	Vilnius University, Bachelor's and Master's degree in Economics		-
Board				
Gintautas Pangonis	Chairman	Kaunas University of Technology, Telecommunications Engineer	From 26 April 2019 until the General Shareholders' Meeting to be held in 2023	Indirectly 46.28*
Algimantas Variakojis	Independent Member (since 13/07/2020)	Vilnius University, Economist		0.16**
Vigmantas Kažukauskas	Member	Kaunas University of Technology, Telecommunications Engineer		0.88
Saulius Martinkevičius	Member	Vilnius University, Master's degree in Business Administration and Management, Bachelor's degree in Economics and Business IT Systems		0.23
Tomas Jozonis	Member	ISM University of Management and Economics, Bachelor's degree in Management and Business Administration; Vilnius University, Master's degree in Business		-
Manager of the Company				
Gintautas Pangonis	President	Kaunas University of Technology, Telecommunications Engineer	-	Indirectly 46.28*

*Ginvildos Investicija UAB holds 46.28% of the Company's shares. 100% of shares of Ginvildos investicija UAB are held by Gintautas Pangonis.

**The Board member holds 0.13% of the Company's shares directly and 0.03% – through 100% owned company Alro Kapitalas UAB.

Gintautas Pangonis – Chairman of the Board, President. Education – higher education. Profession – multichannel telecommunication engineer. Workplaces during the last 10 years:

Employer	Position
Grigeo AB	General Director, Chairman of the Board
Grigeo AB	President, Chairman of the Board

Participation of the management and supervisory bodies in the activities of other organisations

Name, surname	Position	Name of the enterprise, institution and organisation
Vilius Oškeliūnas	Chairman of the Supervisory Board, Member of the Audit Committee	Grigeo AB
	Wealth Manager	Gerovės Valdymas UAB
	Director, Board Member	Atelier Investment Management UAB
	Director	IM Investment UAB, Commody UAB
	Deputy Director	WB Invest UAB
	True Member	Gerovės Partneriai KŪB
	Board Member	Invalda Privatus Kapitalas AB, ETA projektai UAB, Liv in LT UAB, V46 UAB
Norimantas Stankevičius	Member of the Supervisory Board, Member of the Audit Committee	Grigeo AB
	Project Manager	Didma UAB
Romualdas Degutis	Member of the Supervisory Board	Grigeo AB
	Strategy and Development Director	InComSystems UAB
	Chairman of the Board	Antena UAB, InComSystems UAB
Normantas Paliokas	Director	Elnorma UAB
	Member of the Supervisory Board	Grigeo AB
Daiva Duksienė	Independent Member of the Supervisory Board, Chairperson of the Audit Committee	Grigeo AB
	Director	Amerigas UAB, Pasaulio skoniai UAB
	Chief Financial officer	Baltijos ir Amerikos terapijos ir chirurgijos klinika UAB
Gintautas Pangonis	President	Grigeo AB
	Director	Ginvildos investicija UAB
	Chairman of the Board	Grigeo AB
	Board Member	Grigeo Klaipėda AB, Grigeo Packaging UAB
	Chairman of the Board	Naujieji Verkiai UAB, Grigeo Baltwood UAB, Grigiškių Energija UAB, Grigeo Recycling UAB, Grigeo Investicijų Valdymas UAB
	Member of the Supervisory Board	Mena Pak AT
	Chairman of the Supervisory Board	Grigeo Recycling SIA
Vigmantas Kažukauskas	Vice President for Business Development	Grigeo AB
	Board Member	Grigeo AB, Grigeo Klaipėda AB, Grigeo Baltwood UAB, Grigeo Packaging UAB, Grigeo Investicijų Valdymas UAB
	Director, Board Member	Naujieji Verkiai UAB, Grigiškių Energija UAB
	Member of the Supervisory Board	Mena Pak AT
Algimantas Variakojis	Independent Board Member	Grigeo AB
	Partner, True Member	Verslo Angelų fondas I KŪB
	Director	Alro Kapitalas UAB, Verslo Praktika UAB, Mes Invest UAB
	Board Member	Nailtex UAB, Chipper Blades Center UAB
	Chairman of the Board	Mes Invest UAB
Saulius Martinkevičius	Vice President, Procurement and Logistics	Grigeo AB
	Board Member	Grigeo AB, Grigeo Baltwood UAB, Grigeo Packaging UAB, Grigeo Klaipėda AB, Naujieji Verkiai UAB, Grigiškių Energija UAB, Grigeo Investicijų Valdymas UAB
Tomas Jozonis	Managing Director	Grigeo AB
	Board Member	Grigeo AB, Grigeo Recycling UAB, Grigiškių Energija UAB
	Member of the Supervisory Board	Grigeo Recycling SIA

5.4. Functions and responsibilities of the management and supervisory bodies

Supervisory Board

The Supervisory Board discusses and approves the business strategy of the Company, elects members of the Board of the Company and recalls them from their positions, adopts decisions regarding transactions with related parties, supervises the activity performed by the Board and the Manager of the Company, submits replies and proposals regarding the set of financial statements, the proposed profit or loss appropriation and the annual report of the Company as well as the activity of the Board and the Manager of the Company to the General Meeting of Shareholders; and resolves other issues assigned to the competence of the Supervisory Board by the Articles of Association of the Company, by the decisions of the General Meeting of Shareholders regarding the supervision of the activities of the Company and its management bodies.

Audit Committee

The functions of the Audit Committee are to inform the Manager or the supervisory body of the Company about the results of the audit of the financial statements and to explain how this audit contributed to the reliability of the financial statements and the role of the Audit Committee in doing that; to monitor the financial reporting process and submit recommendations for ensuring the reliability thereof; to monitor the audit of the annual financial statements and the consolidated financial statements; to review and monitor the independence of the auditors or the audit companies; to provide recommendations regarding the appointment of statutory auditors or the audit companies; to submit opinions regarding the transactions conducted by the Company with the related parties.

Board

The Board discusses and approves the Company's annual and interim reports, the management structure of the Company; elects and removes from the office the Manager of the Company, sets his/her remuneration and other terms and conditions of the employment contract; analyses and assesses the information submitted by the Manager of the Company on the organisation of the Company's business activities, financial condition, the set of the Company's annual financial statements, proposed profit or loss appropriation and submits to the Supervisory Board and General Meeting of Shareholders together with the responses and proposals in relation thereto and the Company's annual report; analyses, assesses the draft business strategy and information about the implementation of the Company's business strategy submitted by the Manager of the Company and adopts other decisions assigned to the competence of the Board by the Law on Companies of the Republic of Lithuania, the Articles of Association or the decisions of the General Meeting of Shareholders of the Company. The Articles of Association of the Company provide for the following competence of the Board in addition to those provided by the Law on Companies of the Republic of Lithuania: the Board discusses and approves the employee payment systems; elects and recalls employees directly reporting to the Manager of the Company, directors of the Company's divisions, sets their salaries, other terms and conditions of the employment contract, approves their job descriptions, allocates bonuses to these employees; elects and recalls the accounting company providing accounting services to the Company, sets the conditions of payment for the accounting services; approves the systems and procedures of bonuses, incentives to the employees procedures; sets the non-current assets' depreciation or amortisation rates and calculation methods applied in the Company.

Manager of the Company

The Manager of the Company – the President – organises the Company's economic commercial business activities. The Manager of the Company has the right to unilaterally conclude transactions, except for the cases provided by the Articles of Association of the Company where the Manager of the Company may conclude transactions subject to the decision of the Board of the Company to conclude such transactions. The Manager of the Company is responsible for the organisation of the Company's business activities and for the implementation of its goals, preparation of the set of the annual financial statements, preparation of the Company's annual report, and for the fulfilment of other obligations provided by the Law on Companies of the Republic of Lithuania and other legal acts as well as the Articles of Association of the Company.

6. Remuneration report

On 29 April 2022, the General Meeting of the Shareholders approved the remuneration report of 2021.

The remuneration report presents information about the remuneration paid to each member of the management and supervisory bodies of the Company (including but not limited to, all of its components, i.e., fixed and variable remuneration, bonuses, extra pays and other benefits and taxes related to all payments or calculated benefits) by the Company and any other entity within the group of Grigeo AB.

The remuneration report includes personal data of the members of the management and supervisory bodies of the Company (name, surname and other specified data) which is processed in order to enhance the Company's transparency, improve the accountability of the management and supervisory bodies, and monitor the remuneration of the members of the management and supervisory bodies.

6.1. Remuneration policy

The Company's remuneration policy (the "Remuneration Policy"), which was approved on 29 April 2022, is applicable to the Company's Manager, members of the Board and the Supervisory Board. The Remuneration Policy is published on the Company's website www.grigeo.lt. The main provisions of the Remuneration Policy of the Company are presented below:

Manager of the Company

The remuneration to the Company's Manager consists of the fixed (base) monthly salary in the amount defined by the Board of the Company, bonuses, and other benefits. By the decision of the Board of the Company, the Company's Manager may be granted annual bonuses depending on the Company's financial performance and calculated following the bonus scheme approved by the Board of the Company. The amount of the annual bonus may not exceed 50% of the annual salary of the Company's Manager. Following the Rules for Granting Shares of the Company, the Manager of the Company may be remunerated by granting shares.

Board

A civil agreement on the provision of services is concluded with the member of the Board of the Company who has no employment relations with the Company whereby a fixed monthly remuneration is set amounting to no more than EUR 2,500 (before the applicable taxes). The member of the Board is paid an additional monthly remuneration for the performance of the duties of the chairperson of the Board of the Company which cannot exceed 25% of the fixed monthly remuneration agreed with the member of the Board in the agreement. No variable remuneration components, bonuses or supplements are normally set to the member of the Board who has no employment relations with the Company, and no remuneration is offered by granting shares, no specific remuneration criteria are predefined depending on the financial and non-financial performance.

The member of the Board who is the Company's employee receives remuneration under the employment contract signed with the Company. The remuneration of the member of the Board who is the Company's employee consists of a fixed (base) monthly salary, bonuses, and other benefits applicable to the employees of the Company. A specific fixed (base) monthly salary is set by the Board of the Company. By the decision of the Board of the Company, a member of the Board may be granted annual bonuses depending on the Company's financial performance, calculated in accordance with the bonus scheme approved by the Board of the Company. Following the Rules for Granting Shares of the Company, the member of the Board who is the Company's employee may be remunerated by granting shares.

Following the procedure established by the Law on Companies of the Republic of Lithuania and by other legal acts, by the decision and at the discretion of the General Meeting of Shareholders of the Company, the members of the Board of the Company may be granted annual bonuses.

Supervisory Board

A civil agreement on the provision of services is concluded with the member of the Supervisory Board of the Company whereby a fixed annual remuneration is set amounting to no more than EUR 3,000 (before the applicable taxes). In case the member of the Supervisory Board has performed his/her activity for less than a calendar year, a proportionally lower remuneration is paid thereto in view of the actual performance of the activity of the member of the Supervisory Board. A member of the Supervisory Board shall be paid an annual additional remuneration of no more than 25% for the performance of the duties of the Chairperson of the Supervisory Board of the Company, no more than 20% for the performance of the duties of the member of the Audit Committee of the Company, and no more than 20% for the performance of the duties of the Chairperson of the Audit Committee of the Company. No variable salary components, bonuses or premiums depending on the Company's performance are commonly set to the member of the Supervisory Board, and no remuneration is offered by granting shares, no specific remuneration criteria are predefined depending on the financial and non-financial performance.

Following the procedure established by the Law on Companies of the Republic of Lithuania and by other laws, by the decision and at the discretion of the General Meeting of Shareholders of the Company, a member of the Supervisory Board may be granted annual bonuses. In case annual bonuses are granted to a member of the Supervisory Board, they also comprise the remuneration payable to the member of the Supervisory Board.

6.2. Remuneration paid to the management and supervisory bodies

Position, name, surname	Reporting period	Fixed salary component		Variable salary component	One-off payments	Total remune-ration	Fixed to variable salary ratio, %
		Base salary	Other benefits				
Chairman of the Board, President Gintautas Pangonis	2022	147	20	56	-	223	75% / 25%
	2021	133	15	59	-	207	71% / 29%
Member of the Board Tomas Jozonis	2022	111	3	34	-	149	77% / 23%
	2021	117	4	50	-	170	71% / 29%
Member of the Board Saulius Martinkevičius	2022	93	4	27	-	123	78% / 22%
	2021	86	3	21	-	109	81% / 19%
Member of the Board Vigmantas Kažukauskas	2022	94	4	25	-	124	79% / 21%
	2021	87	2	21	2	112	80% / 20%
Independent Member of the Board Algimantas Variakojis	2022	30	-	-	-	30	100% / 0%
	2021	30	-	-	-	30	100% / 0%

No remuneration by granting the Company's shares was allocated to the members of the management and supervisory bodies of the Company. The Company has not granted any share options to the members of the management and supervisory bodies.

During the reporting period, variable remuneration was not recovered.

The annual remuneration paid to the members of the management bodies of the Company as compared to the Group's performance and the average salary of the employees:

Position, name, surname	2018	2019	2020	2021	2022	
Chairman of the Board, President Gintautas Pangonis	176	206	120	207	223	
Member of the Board Tomas Jozonis	-	64	141	170	149	
Member of the Board Saulius Martinkevičius	-	48	97	109	123	
Member of the Board Vigmantas Kažukauskas	127	148	104	112	124	
Independent Member of the Board Algimantas Variakojis	-	-	14	30	30	
The Group's performance	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
EBITDA (-1 year)*	22,894	28,113	28,603	26,243	23,726	21,357
Average annual salary paid to full-time employees (EUR'000)						
	2018	**2019**	**2020**	**2021**	**2022**	
Average annual salary paid to the Group's employees**	16.4	22.2	23.8	25.9	28.4	
Annual remuneration of Chairman of the Board compared to annual salary paid to full time employee	10,7	9,3	5,1	8,0	7,9	

*The EBITDA ratio is presented in each case for the previous year as the results of operations are assessed based on the previous year's financial performance.

**The presented data is related to employees working in the Group companies operating in Lithuania who are not members of the management and supervisory bodies of the Company.

The annual remuneration paid to the members of the supervisory body of the Company as compared to the Group's performance and the average salary of the Group's employees:

Position, name, surname	2018	2019	2020	2021	2022	
Chairman of the Supervisory Board, Member of the Audit Committee Vilius Oškeliūnas	1.8	2.2	-	7.2	3.6	
Member of the Supervisory Board, Member of the Audit Committee Norimantas Stankevičius	10.0	12.0	-	8.7	4.4	
Member of the Supervisory Board Romualdas Degutis	1.8	2.2	-	6.0	3.0	
Independent Member of the Supervisory Board, Chairwoman of the Audit Committee Daiva Duksienė	1.8	2.2	-	8.4	4.2	
Member of the Supervisory Board Normantas Paliokas	-	-	-	6.0	3.0	
The Group's performance	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
EBITDA (-1 year)*	22,894	28,113	28,603	26,243	23,726	21,357
Average annual salary paid to full-time employees (EUR'000)						
	2018	**2019**	**2020**	**2021**	**2022**	
Average annual salary paid to the Group's employees**	16.4	22.2	23.8	25.9	28.4	

*The EBITDA ratio is presented in each case for the previous year as the operating results are assessed based on the previous year's financial performance.

**The presented data is related to employees working in the Group companies operating in Lithuania who are not members of the management and supervisory bodies of the Company.

6.3. Compliance with the Remuneration Policy

The remuneration received by the members of the Company's management and supervisory bodies complies with the approved Remuneration Policy.

Four out of five members of the Board of the Company (except for the independent member of the Board) are the Company's employees holding the top-level management positions at the Company. They receive the remuneration in the amount set by the Board under the employment contract signed with the Company. The amounts of remuneration paid to the members of the Board who are the Company's employees are set in view of the qualifications and competence of each specific employee, the scope of functions and responsibilities assumed within the Company, the aim to retain a specific person in the Company's top management position, motivate him/her to work in good faith, with due care, qualification and loyalty for the Company to achieve the Company's goals, and implement the Company's strategy and interests, thereby increasing the Company's profitability and ensuring a consistent improvement of its financial performance in the long-term perspective. Following the bonus system approved by the Board of the Company, annual bonuses were allocated to the members of the Board of the Company who are the Company's employees depending on the Group's and/or the Company's financial performance. When allocating annual bonuses to the top-level employees, the Group's and/or the Company's profitability and EBITDA are the main criteria that are taken into consideration when evaluating the employees' performance.

The monthly remuneration paid to the independent member of the Board is set in accordance with the provisions of the Remuneration Policy and is provided for in the agreement signed with the member of the Board on the provision of management activities/services subject to remuneration by the member of the Board.

The remuneration paid to the Manager, members of the Board and the Supervisory Board of the Company complies with the remuneration guidelines defined by the Remuneration Policy of the Company and enables better accountability of members of the management and supervisory bodies to the Company and its shareholders as well as encourages members of the management and supervisory bodies of the Company to focus on the long-term goals and strategy rather than take high-risk decisions that may imply positive results only in the short-term.

7. Sustainability (social responsibility) report

7.1. About sustainability report

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards. GRI is a universally applicable, comparable framework that facilitates transparency and accuracy. This report demonstrates our effort to consolidate the Group's impacts and disclose the scope of our businesses' effect on people and nature.

General information:

Timeframe. Unless otherwise indicated, information represents 2022 calendar year, and data is accurate as on 31 December 2022. The reporting of employee and Health and Safety data reflects the situation at the end of 2022.

Major changes. The data for the year 2022 is presented by business segments, whereas for the year 2021 data was presented on a Group entity basis. We have changed the presentation to focus more on the value chain, as separate entities present only fragmented environmental, social and governance (ESG) impacts and do not disclose consolidated impact of each segment. The data for the year 2021 was restated for comparability accordingly.

Information disclosure in segments. The Group consists of different business segments, therefore, where relevant, information is presented according to the following business segments:

Segment	Group companies forming the segment	Abbreviation
Tissue paper and paper products*	Grigeo AB*	Tissue paper
Wood fibreboards	Grigeo Baltwood UAB	Fibreboard
Raw materials for corrugated cardboard and related products	Grigeo Packaging UAB, Grigeo Klaipėda AB, Mena Pak AT, Grigeo Recycling UAB and Grigeo Recycling SIA	Containerboard and packaging

*Grigeo AB sells heat energy to the city of Vilnius. Where relevant, the data is disclosed in additional segment named "Sold heat" accordingly.

Management involvement. The Board of the Company and the Audit Committee review this report before submitting it to the annual general meeting of shareholders.

External assurance. No external assurance was commissioned for this report.

Reporting principles:

Accuracy. Unless stated otherwise, all information provided is traceable to the accounting data.

Balance. We aim to cover both favourable and unfavourable results and topics.

Clarity. We aim to report in a concise way, avoiding abbreviations (or explaining them), in order that the users with reasonable knowledge could fully understand the contents.

Comparability. Our targets are measured against produced tonnes of products rather than absolute values. Other information is reported in absolute figures, unless otherwise stated. We present 2-year comparative data and expect to present 3-year data in the upcoming periods as per requirements of GRI.

Completeness. This report does not omit relevant information that substantively influences stakeholder's assessments and decisions, or that reflects significant economic, environmental, and social impact.

Sustainability context. We aim to present our impact to people and environment, considering proper broader geographic and industry-specific contexts.

Timeliness. The Group reports in accordance with GRI standards on an annual basis. The report is publicly presented on a regular schedule together with annual financial statements.

Verifiability. When preparing the report, we aim that any data is documented in our systems and can be traced to primary sources so that external examinators can review them, if needed.

Contacts:

Key contacts are Finance Director of the Company, Martynas Nenėnas martynas.nenenas@grigeo.lt and Sustainability Manager Grigeo Klaipėda AB, Klaudija Kionies klaudija.kionies@grigeo.lt.

We welcome any suggestions and encourage an open dialogue about opportunities to improve. Please contact us to provide feedback or request more information about topics covered within this report.

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7.2. Commitments and targets

Commitments

In 2021 the Group updated its business strategy which was further pursued in the year 2022. We invested our time and effort to make sure that sustainability agenda is an integral part of our general strategy.

To ensure that we addressed critically material topics and targeted significant impacts, we evaluated our activities Group-wide. All decision makers were actively involved and challenged to assess our ability to improve the Group's performance. In the following sections, this report covers in detail our stakeholders and materiality assessment. The following sections are devoted to our detailed disclosure of key inputs, processes, and outputs. Based on this data combined with our business know-how, we were able to take on adequate commitments:

Agenda	Commitment	Direction
Environmental	Environment protection	Reducing our GHG emission intensity
		Improving nature-and people-friendly product properties
		Improving energy mix
		Investing in energy efficiency
		Promoting responsible collection of waste-paper
		Reducing chemical compound intensity
		Wastewater quality management
		Reducing disposable waste
	Reliable supplier and partner	Responsible supply chain management
		Reducing virgin plastic packaging consumption
Social	Meaningful activities based on trust and cooperation	Accident-free workplace
		Training and development
		Pursuit of consistent feedback
		Dialogue with local communities
		Promoting healthier lifestyle of our employees
Governance	Ambition and transparency in the market, ensuring competitive returns	Zero tolerance to compliance breaches
		Increased transparency: sustainability reporting
		Strong and widely accepted policies
	Reliable supplier and partner	Supply chain transparency

Targets

Following the agenda, in 2022 we set specific performance indicators (KPI) for each commitment, integrating them among other long-term strategic goals of the Group. Targets cover the period of the Group's current strategy until 2026. Sustainability targets have complemented X-matrix (strategic planning tool) of the Group.

The Board of the Company sets sustainability targets. The goals are set during work sessions withhelp of external consultants to achieve a high level of management involvement and knowledge that is consistent with contemporary practices in sustainability. The targets are delegated to CEOs of the companies of the Group, further to department heads and employees at all levels.

On the environmental agenda, one of the most important tasks in our activities is reducing the intensity of natural gas in our energy mix. Another important area is the improvement of long-term energy efficiency.

We are an integral part of the circular economy and will constantly strive to collect and recycle higher amounts of wastepaper. Unfortunately, the more wastepaper collected, the lower its quality. Poorer quality increases the amount of waste that ends up in landfills. Therefore, as waste collection grows, it is important to seek ways to reduce the waste which is diverted to disposal.

Paper production is a water-intensive process; therefore, our efforts are focused on reducing the intensity of water use and improving the quality of wastewater.

We aim to improve safety in the workplace and have engaged and loyal employees.

We adhere to a zero-tolerance policy for violations of the law, and we strive for our internal policies to meet the highest sustainability standards and modern practices.

The Group has committed to pursue the following targets:

	Target	Unit of measurement	No.	Result in 2021	Interim result in 2022	Change	Target for 2026
Environmental targets	Reduction of GHG emission intensity (Scope 1).	$kgCO_2$/ton of production	1.	114.1	101.5	-11,0%	-5.0%
	Increasing energy efficiency	MWh/ton of production	2.	2.56	2.54	-0.8%	-3.0%
	Reduce waste that is directed to disposal	kg/ton of production	3.	53.0	50.8	-4.1%	-9.0%
	Effluent reduction	m^3/ton of production	4.	7.1	6.8	-4.0%	-17.0%
	Compliance with integrated pollution prevention and control requirements	Number of non-compliances	5.	None	None	None	None
	Increasing waste-paper collection and sorting	In thousands of tons	6.	53.0	60.0	+13.0%	+50.0%
Social targets	Reduce the number of accidents at work	TRI ratio (number of incidents among employees per 1 million hours worked)	7.	17.1	11.4	-5.7	8.0
	Employee turnover	The ratio of retired employees to the average number of employees	8.	30.8%	23.8%	-10.0pp	22.0%
	Employee retention rate	Employees with 1+ years' service to total employees	9.	85.7%	87.0%	+1.0pp	91.0%
Governance targets	We have identified 10 internal policies, which we will update or create, aiming for greater compatibility with the Group's strategy, sustainability requirements and modern practices.	The update of policies is carried out until the end of 2023.	10.	-	5	+5	10

Comments on progress

1. The Group is constantly investing in new equipment, which allows to reduce emissions of Scope 1 per ton of production. However, the main factor leading to the reduction of Scope 1 emissions in 2022 was lower consumption of natural gas, when production processes had to be temporarily stopped due to the energy crisis, thus biofuel boilers were used more intensively. Therefore, this indicator should be evaluated in the context of longer term of Group's activities.
2. The Group managed to increase energy efficiency through investments into new equipment by 0.8% (from 2.56 MWh/ton of production to 2,54 MWh/ton of production).
3. It was possible to reduce the amount of waste directed to disposal per ton of production (from 53.0 kg/ton in 2021 to 49,6 kg/ton in 2022) because of Grigeo Klaipėda AB improved operations of waste-paper handling facilities and raw material control processes. The more sustainable use of waste from the thermal processes of Grigeo Klaipėda AB – the ash produced in the biofuel boiler – also had a significant impact. From November 2022 the ash is no longer sent to the landfill but is rather composted by the waste manager and used to make another product (organic fertilizers and compost).
4. Effluents in m^3/ton of production were reduced by 4% (from 7.1 to 6.8), which is primarily the result of investments into evaporator of waste water by Grigeo Baltwood UAB.
5. The Group's monitoring systems as well as the inspections of governmental institutions did not observe any non-compliances with integrated pollution prevention and control requirements.
6. In 2022 The Group collected and sorted 60 thousand tonnes of wastepaper (in 2021 – 53 thousand tonnes), an increase of 13 %.
7. Focusing on employee safety, the Group managed to reduce TRI ratio from 17.1 to 11.4. Better TRI indicator was due to a greater focus on the implementation of measures to reduce occupational safety and health risks, thereby reducing the risk of accidents. Registration of unsafe situations, incidents, and procedural risk assessment helped to implement preventive measures.

8. Decrease in the employee turnover rate (No. 8) and the improvement in the retention rate (No. 9) were the result of a combination of various measures. One of the most important factors is the competitive remuneration and continuously reviewed remuneration policy. Other important measures are active actions aimed at improving the results of the annual
9. employee engagement survey, development of employee competencies, their involvement in strategic projects, and other measures.

10. Until the issue of this report, the Group revised or created and approved the following policies:
    - Environmental policy – new policy.
    - Tax policy – new policy.
    - Dividend policy – new policy.
    - Code of business Ethics – revised policy.
    - Procurement policy – new policy, which will be supplemented with the guidelines of supplier environmental and social screening in 2023.

All amounts are in EUR thousands unless otherwise stated

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Contributing to United Nations Sustainable Development Goals

As one of the largest groups of paper and wood industry companies in the Baltic countries, we aim to make a significant contribution to the United Nations Sustainable Development Goals (SDGs). The SDGs define global priorities and aspirations until 2030 with the mission of sustainable development of people and the planet. We have identified the SDGs where we can contribute the most, both by reducing the negative impact and increasing the positive impact on humanity and the planet:

SDG	SDG target	The activities and responsibilities of the Group
3 GOOD HEALTH AND WELL-BEING	3.4	• Occupational Safety and Health (OSH) initiatives. • Regular health checks. • Health promotion. • Improving the TRI indicator.
5 GENDER EQUALITY	5.5	• Ensure that all employees and applicants for management positions have equal opportunities. • Track and disclose the percentage of women in leadership positions.
8 DECENT WORK AND ECONOMIC GROWTH	8.4 8.8	• Increasing the share of biofuel in the energy mix (Scope 1). • Increasing the share of renewable packaging. • Increasing waste-paper collection. • Occupational Safety and Health (OSH) initiatives. • Improving the TRI indicator (reduction of employee incidents)
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.4	• Evaporator of wastewater (Grigeo Baltwood UAB). • Anaerobic bioreactor (Grigeo Klaipėda AB).
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2 12.4 12.5 12.6	• Reduce waste that is directed to disposal • Increasing waste-paper collection. • Effluent reduction • Compliance with water cumulative pollution indicators. • Preparation of annual sustainability reports.
13 CLIMATE ACTION	13.2	• Reduction of GHG emission intensity (Scope 1). • Increasing the share of biofuel in the energy mix (Scope 1).
14 LIFE BELOW WATER	14.1 14.2	• Anaerobic bioreactor (Grigeo Klaipėda AB). • Evaporator of wastewater (Grigeo Baltwood UAB). • No direct entry of effluents into water bodies.
15 LIFE ON LAND	15.2	• Control of raw materials – ensuring that raw materials and biofuel are supplied from sustainably managed forests. • Supply chain traceability. • Increasing energy efficiency.

7.3. Sustainable governance

Sustainability as an integral part of our activities

We understand that with the growing demands and importance of sustainability in the market, financial indicators and financial statements are no longer sufficient ways of disclosing the company's performance. Inevitably, investors and other stakeholders are raising their standards and working on broadening their understanding of how companies create value, looking at ESG performance as an additional layer to understand long-term risk-adjusted returns. Our Board and key decision makers are embracing the shift in paradigm by actively engaging in sustainability assessment and setting sound and relevant sustainability commitments and targets.

We incorporate environmental, social, and governance considerations into our everyday processes. This ensures that we adequately address risks, indicate opportunities for more sustainable operations, and serve increasing market needs as a critical infrastructure operator for a circular economy creating long-term value.

The collegial bodies that are elected by the shareholders are responsible for the strategy and risk profiling as well as for developing and maintaining the vision, mission, and values of the Group. The governing bodies of the Group have appointed employees responsible for financial, environmental, and social matters who report directly to the CEOs of the companies.

Our sustainability, human resources, and sourcing leaders handle the operational management of sustainability in their given areas. This work is supported by the leadership forming a cross-functional team co-led by our CFO and sustainability officer. Key decision makers from each of our business segments, as well as representatives from communications, legal, human resources, and other staff functions, take an active part in sustainability strategy development, implementation, and oversight.

Designated staff at the corporate, business, and facility levels help to identify, prioritize, and manage economic, social, and environmental risks and opportunities. Business leaders are responsible for planning and managing business-specific sustainable development priorities, from fibre procurement to the end-use and recovery of our products. As such, the remainder of this report is organized around the key impact points along our value chain.

The Board of the Company participates in identifying Group's impacts and materiality on the economy, environment, and people. The impacts and materiality are mapped with significance to stakeholders and the Group. Finally, the Board develops targets on sustainable development, which are disclosed, and their progress is assessed in the sustainability report on an annual basis.

The sustainability report is also presented to the Company's Audit Committee as an integral part of the annual report.

Transparency, fairness, and intolerance to corruption

- Relations with employees, customers, partners and the state are based on honesty and transparency.
- Obey the law, pay due taxes.
- Settle with employees in a transparent manner.
- Only officially documented financial transactions.
- No corruption of any form.
- No unjustified renumeration ton employees or other workers.
- Highest compliance standards for our suppliers.
- Transparent and fair procurement process.
- The Group has adopted a gift policy, according to which the Group's employees are prohibited from accepting and giving gifts of any type, any value, gratuitously received or provided items, services or other benefits. All employees were familiarized with this policy.

Respect for human rights and freedoms

- We respect and ensure human rights and freedoms as defined in the Universal Declaration of Human Rights adopted by the United Nations General Assembly, the Convention for the Protection of Human Rights and Fundamental Freedoms adopted by the European Council, the Conventions of the International Labour Organisation, and legal acts of the Republic of Lithuania.
- No child labour.
- When entering contracts with security companies, we always ensure that security personnel are regularly trained in human rights policies or procedures.
- No forced or mandatory labour.
- Our employees are granted the right to form or join associations including trade unions.
- We strictly oppose any discrimination, or instruction to discriminate either directly or indirectly on the grounds of sex, race, nationality, language, origin, social status, belief, convictions or views, age, sexual orientation, disability, ethnicity, or religion.

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- Fair and equal selection criteria, employment terms and equal working conditions and guarantees to all people irrespective of the gender, race, religion, nationality, language, origin, citizenship, social status, beliefs, family, age, sexual orientation, political views, disability or health.
- Zero tolerance to any harassment, abuse or exploitation in respect to our employees.
- Zero tolerance to any antisocial behaviour that compromises or has the intent of compromising another's personal dignity on the grounds of the sex of that person.
- Zero tolerance to the creation of, or the intent of creating, a terrifying, hostile, insulting or humiliating work environment.
- We do not use nor support and allow the use of any physical punishments, violence or any other form of psychological or physical coercion.
- No system of public warnings or punishments.

The avoidance of conflicts of interest

- Members of the supervisory and management bodies and employees of the Group should avoid situations where their personal interests conflict or may conflict with the interests of the Group.
- Members of the supervisory and management bodies and employees of the Group may not confuse company's property with their own the use whereof has not been specifically discussed with such a person. This person may not use any property or information acquired as a member of a body or an employee of the company for any activities which, according to the laws of the Republic of Lithuania, are illegal, or used for personal gain or for the gain of third parties.

Confidentiality

- The employee, during both working and non-working hours, will respect and protect confidential information of the companies of the Group that they may have received or become aware of during his/her work. They will not use such information for personal gain or for the gain of other persons.

Enforcement of the Code of Business Ethics and Communication of critical concerns

- Employees can report infringements as well as post questions and complaints related to this Code of Business Ethics or any other critical concerns to their direct supervisors, the Personnel Manager, the Head of the Company.
- Notifications about a criminal act, administrative offense, violation of work duties, as well as gross violation of mandatory norms of professional ethics or other violation of the law posing a threat to or violating the public interest in any of the companies of the Group may be submitted using internal channel of providing information about violations by e-mail pranesejuapsauga@grigeo.lt.
- If information is received about violations, complaints and other negative impacts in the governance, environmental or social area, they are examined in accordance with the procedure established by the Group's internal policies. To examine information, the head of particular company of the Group can appoint responsible persons or form an ad hoc committee consisting of employees with competence and responsibilities in a specific problematic situation.
- The management of each company of the Group is responsible for the implementation of the provisions of the Code, for the censure and the prompt and honest correction of actions that are not in compliance with the provisions of the Code.
- The Group supports employees who honestly adhere to the provisions of the Code and encourages others to adhere to them.
- In 2022 the group received one employee complaint about discriminatory behaviour at work. The commission established by the company of the Group and the state institutions that examined the complaint did not find any factual violations.

Our approach to taxes

- In carrying out its activities, the Group complies with the applicable tax laws and the principles of legal regulation of taxation, fulfils its tax obligations in a timely and accurate manner.
- Tax accounting in the Group is handled carefully and professionally, and all decisions are made at the appropriate level and supported with documents confirming all related decisions.
- When assessing risks, the Group maintains low tolerance for tax risks.
- The group strives for full clarity on tax issues. If there is a need, the Group seeks to obtain preliminary explanations from tax administrators.
- The group does not use tax heaven zones in the group structure or in the execution of transactions to avoid tax obligations.

- The Company and also some of the Group's companies are classified as large tax payers. The Group adheres to the principle of transparency and strives for the information provided by the Group to be useful and meaningful to tax administrators and other interested parties.
- The Group uses tax benefits, as permitted by applicable legislation, when it is consistent with business goals and when it does not pose any reputational risk or the possibility of disputes with tax authorities.
- The Group aims to cooperate with tax administrators actively and positively to reduce the likelihood of any dispute.
- The Group actively monitors public consultations and engages constructively with national tax policy makers either individually or through relevant industry bodies.
- Most of the Group's taxes are paid in Lithuania – EUR 11.4 million in 2022 (in Latvia – EUR 0.1 million, in Ukraine – EUR 0.2 million). In 2021 the Group's taxes paid in Lithuania amounted to EUR 10.7 million (in Latvia – EUR 0.06 million, in Ukraine – EUR 0.3 million).

Our procurement practices

- The Group undertakes to carry out procurement activities responsibly. Long-term, good business relations and beneficial cooperation are the most important for the Group.
- All employees of the Group engaged in procurement activities must comply with the rules of the Group's Code of Business Ethics. The Group's suppliers are also expected to comply with the Group's Code of Business Ethics.
- All procurement activities must be conducted in such a way that the Group meets ethical, environmental and social sustainability requirements in all parts of the supply chain.
- The Group communicates with suppliers in such a way that it is considered as honest, professional and working by the highest standards of business ethics and procurement.
- To maintain constant competitive ability and lower risk, whenever possible the Group avoids purchases from the single supplier and assesses all risks associated with the purchase.
- In 2023, the Group plans to introduce the guidelines for supplier environmental and social assessment.

Our approach to environment

- The Group's activities are a significant part of the circular economy, therefore one of the Group's essential sustainability obligations is the preservation of nature. The Group is committed to complying with best manufacturing practices as well as with environmental legislation with zero tolerance for violations.
- The Group aims to contribute to the European Green Deal, therefore, when planning and making investments, the Group considers the constantly updated EU Taxonomy Regulation, aiming for as much of the Group's activities as possible to be classified as taxonomy-aligned economic activities.
- To reduce the amount of GHG emitted by the Group, the Group strives to constantly implement new technologies and innovative solutions, as well as to modernize existing equipment.
- The Group regularly analyses the environmental impact of activities, products, and equipment, and assesses risks and provides preventive and other measures to reduce, avoid, and eliminate them.
- The Group promotes the rational and sustainable use and management of natural and energy resources, prioritizing the use of renewable resources.
- The Group ensures responsible management of water as one of the most important resources in the supply chain and aims to improve the quality of effluents.
- The Group aims to reduce the amount of waste generated in the Group's activities by applying the principles of the waste hierarchy (prevention – reuse – recycling – other recovery operations (e.g.: incineration with energy recovery) and disposal) and to ensure their responsible management.
- The Group constantly strengthens internal culture and values, developing employees' competences and responsible attitude towards environmental protection.
- The Group initiates and supports educational, educative environmental and circular economy literacy projects and initiatives, social actions involving employees and other stakeholders.
- The Group publicly reports to its shareholders and society, presenting operational and financial results in a timely, clear and understandable manner, which reflect the Group's impact on the environment.

GRI: 207-1 207-2 207-3 207-4

All amounts are in EUR thousands unless otherwise stated

7.4. Sustainability investments

Significant investments accomplished in year 2022

Company	Investment	Impact
Grigeo AB	Industrial tissue (leaves) conversion line (project value EUR 3.8 million)	Replaced old semi-automatic paper conversion line. The processing capacity of paper and cellulose increased by **4,200t** per year.
		When working at full capacity, transportation emissions of at least **182t CO_2** equivalent are being avoided.
	Compressed air pipelines for paper scraps and dust collection (project value EUR 0.7 million)	Reduced dust saturation in the air.
		The need for manual collection of scraps was eliminated.
		The need for transportation of scraps was eliminated.
		Scraps are pressed automatically, saving space and increasing safety.
	Internal logistics system (lifters and robots) (project value EUR 0.85 million)	The internal transport system was optimised with automatic laser guided forklift vehicles instead of LNG driven and manned forklift vehicles.
		100% increased lifting capacity, reduced number of trips twice.
		100% electric system is estimated to cut scope 1 GHG emissions significantly.
Grigeo Baltwood UAB	Evaporator of wastewater (project value EUR 2 million)	Up to **2%** of organic material is returned to production cycle.
		The efficiency of this wastewater treatment method is higher than **95%**.

Evaporator of wastewater in Vilnius

The key challenge for Grigeo Baltwood UAB was to reduce the saturation of organic matter in the wastewater generated in fibreboard production process. It is estimated that up to 3% of fibre material processed by Grigeo Baltwood UAB end up in wastewater. This is due to the production technology where the finer fibres are washed out together with the effluent. These fibres are micron-sized, in addition, we use a lot of softwood in the production, as well as a little resin is added to the product, the said fine fibre becomes sticky and cannot be effectively filtered. High temperature of the wastewater further complicates the cleaning process.

To solve the filtering problem a wastewater evaporation method was chosen after the thorough research.

The installation works started in 2021 and were completed in the first half of 2022. The device has been in production since June, in testing mode. After starting to use the device, the first results were obtained, which showed that the obtained wastewater treatment effect is close to the set goals:

- Wastewater is cleaned and meets the requirements of the Republic of Lithuania for wastewater pollution. The concentration of suspended solids (SS) is <350 mg/l. The concentration of BOD_7 is <800 mg/l.
- Concentrated organic matter is returned to the fibreboard production process.
- The amount of used water was reduced by more than 50%.

The Grigeo Baltwood UAB team, together with the manufacturer's representatives, continues working to harmonize the fibreboard production and wastewater evaporation technologies, so that the production cycle is smooth and reliable. The greatest attention is now paid to the use of the obtained concentrate in the production process.

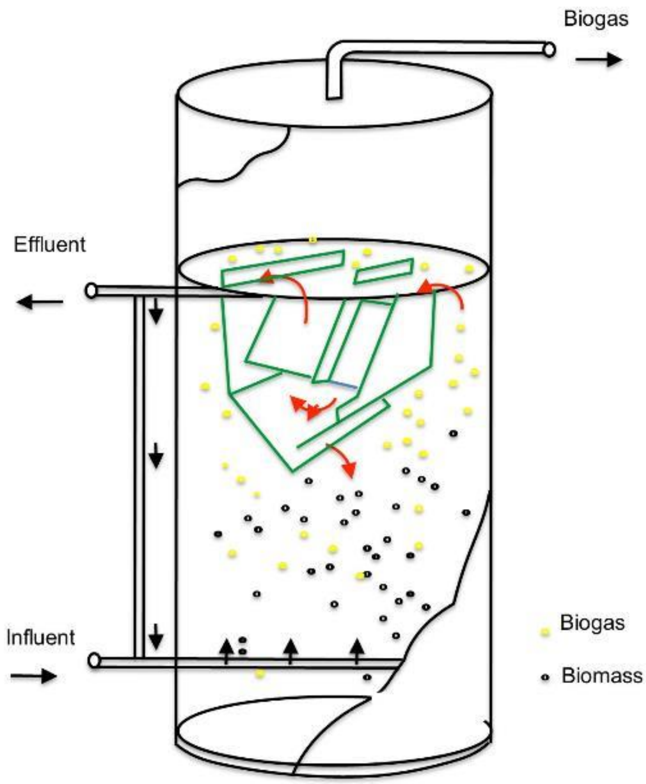
Below, on the left, wastewater from the production process before treatment, on the right – after treatment, together with the concentrated organic material that is returned to the production process:

All amounts are in EUR thousands unless otherwise stated

Significant investments planned in 2023

Company	Investment	Impact
Grigeo AB	Condensing economiser (project value EUR 2.0 million)	CO_2 emissions are expected to be reduced by **24 tons** per year.
		The aim is to reduce technical heat losses by **50%**.
	3 MWh rooftop solar power station (project value EUR 2.1 million)	Annual electricity generation is expected to be up to **2,900 MWh**.
		About **2%** of the Group's electricity needs would be in-house generated.
Grigeo Klaipėda AB	Anaerobic bioreactor for waste water treatment (project value EUR 2.65 million)	CoD/BoD_7 reduction at waste water approximately **80%**.
		Biogas from the anaerobic processes will be used for energy by reducing natural gas at boiler house up to **8%**.
		Odour control

Anaerobic bioreactor in Klaipėda



Water is fundamental in our everyday activities of paper waste recycling and paper production. This is one of the most important resources in our supply chain. We understand clearly that the use of water in production processes affects not only the environment, but also local communities in the Klaipėda region. One of our most important strategic considerations is to conserve nature. To meet our goals, we have tightened up our internal processes for its rational use, we are closely monitoring the amount of discharged wastewater and the level of pollutants, and we are seeking sustainable solutions in water management.

For more than three years now, Grigeo Klaipėda AB wastewater is being transferred to AB “Klaipėdos vanduo” for treatment. As of 7 January 2020, Grigeo Klaipėda AB is no longer using its own treatment facilities in Dumpiai for the treatment of industrial wastewater.

To optimise the composition of circulating water used during economic activities and to reinforce the prevention of local dispersion of odours, Grigeo Klaipėda AB intends to modernise the technological process of the generated wastewater by constructing an anaerobic bioreactor with appurtenances on the plant territory. It is one of the most innovative technologies for the treatment of industrial wastewater widely applied in paper industry.

This technological equipment is intended to modernise the processes of treatment of circulating process water generated in the production.

Innovative technology will allow reducing the load of the currently used treatment plants and will significantly reduce the amount of waste (sludge) generated after the biological treatment of circulating water in Klaipėdos vanduo AB facilities. Accordingly, the anaerobic reactor will also contribute significantly to even more efficient management of local odour dispersion generated during the treatment of circulating water. The efficiency of the anaerobic reactor in reduction of BOD_7/COD wastewater pollution is estimated to amount to 80%. This project is important in terms of a fully sustainable use of energy resources. Biogas generated during the anaerobic process will be used for thermal energy production at Grigeo Klaipėda AB gas boiler house. This way, the use of natural gas would be reduced up to 8%, Scope 1 CO_2 emissions decreasing accordingly .

Since Grigeo Klaipėda AB is located next to Klaipėda city centre, odour control will be even more stable, and we will fully meet the expectations of the neighbouring city communities.

Currently, the implementation of the project is coordinated with the responsible authorities. Upon completion of this process, Grigeo Klaipėda AB would be ready to implement the technology in its production area in an optimally short period of time.

7.5. Incidents

Incidents in 2022

There were no significant instances of non-compliance with laws and regulations in 2022.

Incident of 20 July 2021

On 20 July 2021, during scheduled repairs, a technical breakdown occurred which disrupted the maintenance of the working level of Grigeo Klaipėda AB circulating process water basin. During the overflow of the basin area, 18.6 m^3 of circulating process water got into the Klaipėda city rainwater collection system through the leaky cleanout pipe of the rainwater collection system and then entered the Curonian Lagoon after the preliminary treatment at Klaipėdos vanduo AB rainwater treatment plant. This temporary breakdown was rectified expeditiously, and action plans were immediately drawn having the risks assessed to prevent a recurrence of the incident.

The Environmental Protection Agency has determined that the pollution at the state environmental monitoring sites generated by Grigeo Klaipėda AB did not affect the concentrations of the measured polluting substances in surface water and the ecological condition.

Grigeo Klaipėda AB incident in 2020

The environmental incident occurred in 2020, when it was announced that Grigeo Klaipėda AB released partially biologically treated wastewater into the Curonian Lagoon through the treated wastewater collector of municipal company AB “Klaipėdos vanduo”.

Grigeo Klaipėda AB assumed legal responsibility for this incident, carried out internal inspections and commissioned international expert investigations to establish, through scientific research, the fact and extent of possible environmental damage. It also started implementing environmental remedial measures on its own initiative to remove the pollutants discharged with its wastewater from the natural environment.

Pollutants released into the natural environment with the wastewater of Grigeo Klaipėda AB that was only partially biologically treated were nitrogen and phosphorus (i.e., water-soluble nutrients of organic origin that are necessary for every living organism) and BOD_7 (biochemical oxygen demand per 7 days). Pollutants contained in the biologically untreated wastewater of Grigeo Klaipėda AB are attributable to non-hazardous pollutants that have not had a significant negative impact on (significant damage to) the water state, biota, and ecosystem of the Curonian Lagoon.

Grigeo Klaipėda AB seeks to cooperate with state authorities in implementing wastewater management solutions and environmental remedial measures that would remove the allegedly released pollutants from the natural environment, implement environmental remedial measures (improvement of the state of water of the Curonian Lagoon), restore lost public confidence, and ensure business resilience in the long run. It is very important to the management of Grigeo Klaipėda AB that this incident not only becomes a painful lesson for the company, but also prevents the recurrence of such cases in the future in all economic activities of the country.

Grigeo Klaipėda AB environmental restoration actions after the 2020 environmental incident

In 2021 and in 2022 Grigeo Klaipėda AB was assessing scientifically based environmental restoration measures, which would aim to remove the amount of pollutants (phosphorus, nitrogen and BOD_7) from the Curonian Lagoon and contribute to more favourable conditions for the recovery of biological diversity, thereby reducing eutrophication processes in the Curonian Lagoon. The following environmental restoration measures were evaluated and modelled:

- Cutting and disposal of reed biomass on the shores of the Curonian Lagoon.
- Installation of surface wastewater treatment facilities (preventive measure).
- Installation of wetlands in the territory of the Minija river basin.
- Removal of cyanobacteria from the Curonian Lagoon.
- Breeding of molluscs (dreissena polymorpha).

It was determined that the environmental restoration criteria set by the Environmental Protection Department best meet the following two environmental restoration measures: reed removal in the Curonian Lagoon and installation of surface wastewater treatment facilities in Klaipėda city.

The first measure: Cutting and removing reed biomass on the shores of the Curonian Lagoon.

With this measure, the pollutants that Grigeo Klaipėda AB may have allegedly released into the natural environment would be removed from the Curonian Lagoon. Also, removing the biomass of cut reeds would restore the sandy shores of the Curonian Spit and the habitats of rare plant and animal species, reduce the amount of organic matter entering the Curonian Lagoon, mitigating the negative effects of eutrophication. After the restoration of open bays and the formation of canals, the swamping processes of the shores of the Curonian Lagoon would be eliminated, recreational space and views of the Curonian Lagoon would open up, and this would increase the area's biological diversity and recreational potential.

Reed cutting would be carried out for 4 years whenever the program is approved by the Environmental Protection Department.

All amounts are in EUR thousands unless otherwise stated

Grigeo Klaipėda AB completed 2 pilot reed cutting projects, the results of which were verified in the laboratory:

Pilot project period	Harvested weight of reeds in tonnes*	Amounts of pollutants removed from the Curonian Lagoon, in tons		
		Nitrogen (N)	Phosphorus (P)	BOD_7
2021.11.22 – 2021.11.26	15.5	0.07	0.02	11.63
2022.03.24 – 2022.04.14	165.4	0.40	0.05	148.11
Total	**180.9**	**0.47**	**0.07**	**159.74**

*The absolute dry weight of reed biomass is given.

The harvested reeds are used in sustainable ways, in such order of priority:

- Roofing (a new product is being developed, with a service life of about 50 years).
- Biofuel – helps reduce the need for fossil fuels, biogenic CO_2 is released.
- Compost – returned to the natural environment as green waste.

Grigeo Klaipėda AB hopes that the Environmental Protection Department will approve the plan of environmental restoration measures, and after its implementation, the incriminated volume of pollutants would be removed from the natural environment of the Curonian Lagoon.

The second measure. Modernization of treatment facilities of Klaipėdos vanduo AB (preventive measure).

A trilateral cooperation agreement was concluded between Klaipėda City Municipality, Klaipėdos vanduo AB and Grigeo Klaipėda AB, in which the parties agreed to prepare and implement the construction and operation program of Klaipėdos vanduo AB surface wastewater treatment facilities. This measure would reduce the entry of oil products, floating substances, and organic matter into the Klaipėda Strait. This would have a positive impact on reducing the eutrophication of the Curonian Lagoon.

According to the signed contract, if the Environmental Protection Department approves the plan of environmental restoration measures, Grigeo Klapėda AB will finance the modernization of No. 7 and No. 8 outlets of the surface sewage networks managed by Klaipėdos vanduo AB. The surface sewage networks, which need to be modernized, were chosen considering the position of Klaipėdos vanduo AB, according to which sewage basins No. 7 and No. 8 are among the largest, both in terms of their total area and the area of their surfaces intended for road transport (streets, driveways, parking lots). The amount of pollutants released through the outlets of these basins is one of the highest, compared to other basins where treatment facilities have not yet been built. From an environmental point of view, it is appropriate (necessary) to reduce pollution where it is generated the most. The preliminary value of the project amounts to EUR 2 million, which would be financed free of charge by Grigeo Klaipėda AB.

Investment in the Environmental Scientific Research

Back in 2020, to fulfil the promise made to the society to finance research carried out to determine the state of water in the Curonian Lagoon and to implement environmental social initiatives, Grigeo Klaipėda AB was looking for partners with the highest competencies.

In June 2020, Grigeo Klaipėda AB signed a support agreement with the Klaipėda University regarding the provision of targeted support of EUR 500 thousand for the development of environmental pollution reduction solutions in the Klaipėda region and training of environmental specialists.

Under the terms of the agreement, a five-year programme of environmental action is implemented, focusing on the long-term value creation. Based on the agreement, three separate programmes have been planned for development. The first one is for the development and installation of an ambient air pollution (industrial and transport pollutants, volatile organic compounds) monitoring system in Klaipėda city. The second one is for the application of advanced treatment technologies for the containment and disposal of hazardous organic micro-pollutants in urban wastewater treatment plants. The third one is for the provision of support for bachelor's and master's study projects in the preparation of graduation papers.

By the end of 2022, the Klaipėda University has received EUR 363 thousand. Klaipėda University uses these funds for the following research programs:

- Creation and implementation of a monitoring system for environmental air pollution (industrial and transport pollutants, volatile organic compounds) in the city of Klaipėda. Under this program:
  - An analysis of the scientific literature on the possibilities of using neural networks for the determination of ship emissions was carried out.
  - Based on the analysis, an article was published about the possibilities of evaluating emissions from ships by direct measurement methods and using mathematical models.
  - Based on the analysis, the artificial neural network modelling software license was selected and purchased.
  - A variant of AIS (Automatic identification system) data processing algorithm has been prepared.
  - Using neural network methods, the first version of the ship air pollutant emissions forecasting model in the port of Klaipėda was created.
- Application of advanced treatment technologies for retention and removal of hazardous organic micropollutants in urban wastewater treatment plants. The program is in progress and the results will be published in future reports.

7.6. Impact and materiality assessment

Stakeholder engagement

To make sense of stakeholder engagement, we invested our time and effort in the following steps:

STEP ONE: BENCHMARKING

- We assessed industry specific issues and best practices.
- Identified gaps in our stakeholder engagement vs. peers/best practices.

STEP TWO: IDENTIFICATION

- We revised our entire supply chain and came up with a full list of our stakeholders.
- All stakeholders were mapped based on their influence and interest in our sustainable development.
- Our management and decision makers were actively involved in defining key stakeholder groups.

STEP THREE: ENGAGEMENT PLAN

- We assessed the most effective methods and communication channels to reach our stakeholders.
- Relevant specific objectives for stakeholder engagement were identified.

STEP FOUR: EXECUTION

- We thoroughly revised and documented existing engagement activities Group wide.
- Made sure we understood key expectations and grievances of our stakeholders.
- Whenever it was possible, we reached out to our stakeholders to verify our understanding of their expectations and grievances.
- Whenever we came across data discrepancies or gaps, we made a significant effort to ensure we collected missing data.
- Whenever we were not able to collect missing information, we updated our stakeholder engagement plan for upcoming reporting periods.

STEP FIVE: ANALYSIS

- A dedicated team analysed information on stakeholder engagement at the company level.
- All stakeholders were subdivided into major groups.
- Expectations and grievances were consolidated on the Group level.
- The key points on stakeholder groups, communication channels and expectations are reported in the following section.

State Tax Inspectorate
The State Social Insurance Fund Board
The Environmental Protection Agency
Environmental Protection Department under the Ministry of Environment
National Public Health Centre
State Labour Inspection of the Republic of Lithuania
Employment Services
Klaipėda City Municipality
Vilnius City Municipality
Grigeo Group administration
Management
Production associates
Labour unions
Local communities
Society in general
Potential employees
Media
Politicians and public figures
Support beneficiaries
Banks
Insurance companies
Stock exchange
Shareholders
Competitors (product market)
Universities
Professional education
Schools
NGO's
Business associations
B2C Tissue
Retailers
B2B
Cellulose suppliers
Paper and containerboard suppliers
Waste-paper suppliers
Water
Production materials
Electricity
Natural gas supplier
Waste management providers
Machinery
Spare parts and service providers
Packaging suppliers
Third party transportation
Scientific advisory
Certification agencies
Consulting, Legal, Audit, Marketing, PR services
Other suppliers (IT, post, Communications)

Dialogue

	Communication channels	Their expectations	What we strive to achieve
Clients	• Sales relationships. • Regular business meetings. • Collaboration through the full packaging value chain. • Quality control. • Public meetings. • Media. • Site visits. • Surveys.	• Packaging solutions that enable safe delivery of our customers' products. • Packaging solutions that cut waste and improve recyclability. • Tissue paper quality. • Operational efficiency. • Water stewardship. • Recovered finer content. • Air+GHG emissions. • Good reputation.	• Optimal, high quality, sustainable design packaging. • Creating and fostering circular economy through efficient waste-paper collection and recycling process. • Responding to sustainability data requests from customers. • Proactively disclose our social and environmental impacts including GHG emissions. • Setting ambitious yet realistic sustainability agenda. • Reporting consistently on our sustainability efforts.
Investors	• Regular calls and in-person meetings. • Business strategies. • Financial returns. • Risk mitigation. • Audited annual reports. • Public announcements via stock exchange.	• Honest and transparent communication on our sustainability efforts. • Reducing reputational risk. • Streamlining supply chains to reduce CO_2 emissions and minimise waste. • Sustainable packaging innovations delivering an attractive return on investment.	• Ensuring we do our part to address environmental and social issues material to our business. • Generate financial return in a most transparent way. • Consistently reporting on our non-financial results • Improving our ESG assessment.
Employees	• Safety programmes. • Employee training. • Company-wide communication. • Fostering human connection. • Involving employees in sustainability reporting. • Fostering involvement in setting sustainability goals. • Daily face-to-face meetings. • Intranet. • Surveys.	• Feeling proud of the company they work for. • Safety. • Personal development. • Fair and transparent compensation. • Consistent career development.	• We ensure our employees are fully aware of our role within the circular value chain. • Exchange of talent and ideas across Group operations to share best practice. • Facilitate the sharing of best practices. • Empowering our people to lead the circular economy. • Fostering high employee engagement so that our people would be confident they can make real changes.
Suppliers	• Supplier relationships. • Request for information. • Supplier sustainability audits. • Quality control. • Negotiations. • Contract terms.	• Steady demand. • Business continuity.	• Highest compliance standards for our suppliers. • Transparent and fair procurement process. • Promote responsible best practices. • Assess the feasibility social and environmental and social auditing.
Communities	• Economic and charitable relationships. • Employee-led fundraising. • Plant tours. • Media. • Product donations. • Meetings and presentations.	• Air emissions. • Air quality. • Biodiversity. • Fair neighborship. • Economic impact. • Community engagement. • Sustainable and responsible business practices. • Water use and wastewater quality.	• Supporting local business ecosystems through short supply chains. • Proactively engaging with community stakeholders to address water-related issues. • Reducing our air emissions. • Addressing odour issues. • Enhancing our transparency.
Regulators	• Legislative meetings. • Trade association meetings. • Formal hearings. • One-on-one meetings. • Collaboration. • Facility visits. • Reports. • Liaising with municipalities.	• Health and safety. • Paper recycling and recovery. • Taxes and environmental policy. • Compliance. • Fines and compensation. • Legal processes. • Biodiversity.	• Solving impending issues in the most sustainable manner. • Committing to meet or exceed legal requirements. • Educating policy makers on our commitment to circular economy. • Educating policy makers on the strategic/critical importance of our recycling infrastructure on the national level.

GRI: 2-12 2-29 3-1 3-2 3-3

Materiality and impact assessment

In 2021 we performed for the first time and in 2022 we revised a non-financial materiality assessment. To make the most of this process, we instructed and engaged our key decision makers. The assessment, co-led internally by the heads of sustainability and finance, was undertaken by an independent third party to ensure complete impartiality.

We believe that time and effort invested in the analysis helped us identify the economic, social, and environmental issues that are of the highest importance to our business and our stakeholders.

The materiality assessment results also serve as an input for our sustainability targets and action plans approved by the boards of the Group companies, which were followed in 2022.

STEP ONE: STAKEHOLDER ASSESSMENT

We began our materiality assessment by conducting stakeholder assessment.

STEP TWO: IDENTIFICATION

To build a solid ground for our first materiality assessment, we considered the following sources to identify a range of potentially material topics:

- Concerns, questions, expectations, and grievances raised by stakeholders both directly and indirectly during the year.
- Sustainability topics covered in reports released by peers and customers.
- External sustainability reporting standard guidelines (GRI).
- External sustainability rating systems (e.g., CDP, DJSI, MSCI).
- Priority focus areas identified by our partners.
- Existing and emerging legislation and policies (both national and EU).
- Relevant quality certificates and business practices.
- General sustainability context.
- Sustainability reporting guidelines and requirements issued by regulators (both local and EU level).

STEP THREE: IMPACT MEASUREMENT

- Sustainability indicators are often categorised in three ways:
  - Economic (e.g., capitalisation, revenue, profit, company turnover);
  - Social (e.g., labour statistics, human capital development, human rights, occupational health and safety, consumer health, community impact);
  - Environmental (e.g., biodiversity, water stewardship, greenhouse gas emissions, waste management, materials).
- Qualitative assessment: what issues might be of critical importance to our business lines.
- Quantitative assessment: how much resources (materials, water & energy) we withdraw from the environment in terms of volume, and how much product we deliver to make your life more enjoyable, as well as what kind of residual outputs exit our facilities in the form of emissions, waste, and effluent.
- To make our analysis more holistic, we included governance topics as well.

STEP FOUR: PRIORITISATION

To make sure we are responsive to those with the greatest potential to impact our performance or to be impacted by our actions moving forward, we prioritised thetopics.

STEP FIVE: VALIDATION

- We reviewed the final list of topics, prioritised as highly material, with our cross-functional team and leadership for feedback and approval.
- After the list has been approved, we mapped the highly material topics to the appropriate GRI Standard following the GRI reporting protocol. We identify and report on the indicators within each relevant GRI Standard to ensure the completeness of the report.
- We do not limit ourselves to the topics of relevant GRI standards and disclose information on all topics of critical importance.
- The report is subsequently reviewed and approved by Group’s executive leadership team before the public release.
- Our leadership is reviewing economic, environmental, and social topics and their impacts, risks, and opportunities on an annual basis.

GRI: 2-12 2-14 2-29 3-1

Mapping our materiality

Our 25 most material areas have been organised under our four categories.

Through the materiality assessment, we refine our commitments and identify areas for improvement.

We determine where we can have a positive impact across our value chain, from forest managers to environment-conscious consumers trusting us to recycle their used packaging and other paper products.

According to GRI, significance in financial statements is generally considered to be a threshold influencing the economic decisions of those who use organisation's financial statements, particularly investors. A similar concept is also important for sustainability reporting, but it has two dimensions. This table provides a list of the material topics mapped to indicate significance to our business continuity against the importance to our stakeholders.

By conducting our materiality assessment, we can identify and respond to the needs of all these stakeholders. Some of these areas are essential for protecting and growing our revenues. Others have significant influence on our cost structure, supply chain, and risk.

The most material topics and impacts are analysed and disclosed in the following sections of the report, using GRI standards.

Materiality assessment also reflects the key risks for the organisation. Key topics covering major risks for business future and long-term success are prioritised as having critical significance to the Group.

In this report, we disclose in detail our impacts on material topics of critical importance, both to us and our stakeholders. Topics of moderate and significant importance are disclosed to support disclosures on material topics of critical importance.

Importance to stakeholders				
	Critical		**E** Waste management. **G** Fair competition. **G** Biodiversity. **S** Employee wellbeing.	**S** Health and safety. **S** Human rights. **E** Water stewardship. **E** Circular economy. **E** GHG emissions. **F** Shareholder value creation.
	Significant	**G** Code of ethics. **S** Partnerships. **S** Client satisfaction.	**G** Good governance practices. **E** Packaging. **F** Tax. **E** Transport and logistics. **S** Local communities.	**E** Renewable energy. **G** Material quality control.
	Moderate	**G** Data security. **F** Innovation.	**E** Supply chain control. **F** Production management.	**S** Human capital development.
		Moderate	**Significant**	**Critical**
			Significance to the Group	

E – Environmental **|** **S** – Social **|** **G**- Governance **|** **F** – Economic/Financial

Connections between material topics and UN Sustainable Development Goals

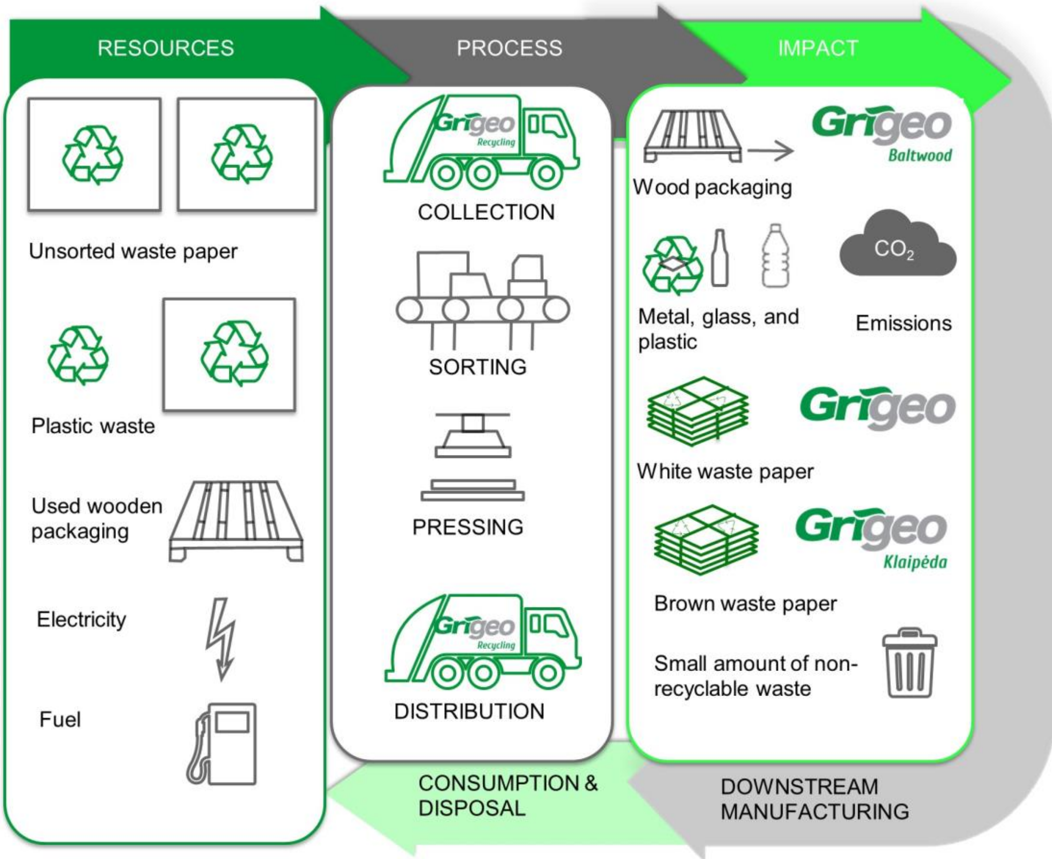
The following table presents connections between material topics and the SDGs. These links were identified based on an assessment of the impacts on material topics and the targets associated with relevant SDG:

	Material topic	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND
S	Health and safety	●		●					
S	Human rights		●						
E	Water stewardship				●	●		●	
E	Circular economy			●		●			
E	GHG emissions			●			●		●
F	Shareholder value creation			●					
E	Waste management					●			
G	Fair competition			●					
G	Biodiversity					●			
S	Employee wellbeing			●					
E	Renewable energy			●			●		●
G	Material quality control			●					●

E – Environmental **|** **S** – Social **|** **G**- Governance **|** **F** – Economic/Financial

All amounts are in EUR thousands unless otherwise stated

7.7. Our products and processes



According to Eurostat, in Europe above 80% of paper packaging is recycled, making it the most recycled packaging material in the world. Grigeo Recycling UAB and Grigeo Recycling SIA collect wastepaper in Lithuania and Latvia respectively.

What we do	What we collect	Wastepaper should be free of
• Install press containers and take care of their timely replacement. Our certified, metrologically verified scales determine the exact weight of incoming raw materials. • Sort plastic waste and sell it to plastic recycling companies. • Collected wooden packaging, including their production waste and broken wooden pallets are further recycled by Grigeo Baltwood UAB.	• Industrial waste from printing houses. • Office wastepaper. • Documentation after the expiration of mandatory storage period. • Cardboard, corrugated cardboard, and its packaging; cardboard production waste. • Defective paper and paperboard production in rolls and sheets. • Wooden pallets. • Plastic waste originating from polyethylene and polypropylene films and the packaging thereof. Also, we buy packaging (stretch) film, and polyethylene bags.	• Non-paper impurities based on EN 643:2014: metal, plastics, glass, textiles, wood, sand, construction, and synthetic materials. • Coated paper and cardboard unsuitable for recycling. • Contaminated paper (chemicals or hazardous substances). • Greaseproof, metallised sandpaper, paper and cardboard bags for food, construction and chemicals, any paper impregnated with glue or varnish. • Book cardboard covers, book spines impregnated with glue, labels, cardboard muzzles. • Rotten, mouldy, burnt paper. • Intensely coloured paper (black, green, red, etc., except white). • Paper egg trays.

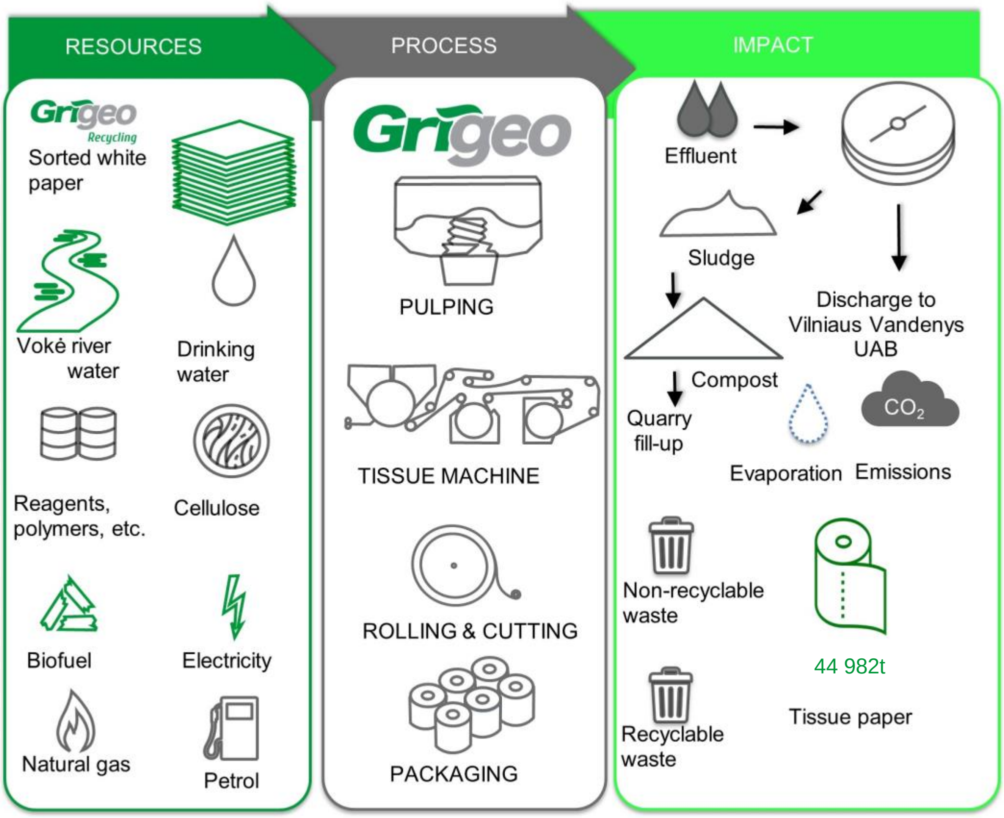
Collected and sorted wastepaper, in tonnes:

	Lithuania		Latvia		Total	
	2022	2021	2022	2021	2022	2021
White wastepaper	4,618	4,327	385	381	5,003	4,708
Brown wastepaper	36,223	29,564	12,231	1,3088	48,454	42,652
Mixed wastepaper	5,547	4,972	1,028	703	6,575	5,675
Total	**46,388**	**38,863**	**13,644**	**14,172**	**60,032**	**53,035**

In total, the Group's recycling facilities increased amounts of collected and sorted waste paper by 13% (from 53,035 tonnes to 60,032 tonnes).

All amounts are in EUR thousands unless otherwise stated

TISSUE PAPER. The processes in Grigeo AB.



QUALITY

- IFS HPC
- FSC® CoC (Chain-of-Custody) certificate
- European Union eco-label – the EU Flower
- Nordic Swan Ecolabel
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 45001 Occupational Health and Safety Management Standard
- Good Manufacturing Practices (GMP) Management Standard

SPECIFIC REGULATIONS

- Pollution prevention
- Environment monitoring
- Natural resources stewardship
- Climate change
- Waste management
- Consumer health and safety
- Packaging management
- Management of chemical compounds
- Hazardous waste management
- Sludge management
- Composting

Responsible sourcing

All our products are certified and must meet the highest standards imposed by our clients; in turn, it is our duty to ensure maximum transparency of the supply chain.

Grigeo AB has adopted a supplier auditing system based on IFS and ISO9001.

Supplier auditing helps our partners improve their processes, management, and product processes.

Our people closely cooperate with our partners to ensure that both Grigeo AB and our suppliers can supply sustainable products and materials.

How tissue paper is made

1. Pulping: Diluting cellulose or wastepaper in water to release fibre. The interim product has up to 98% of water.

2. Forming: We operate modern tissue machines. Complex machinery sprays liquid pulp on the web and forms base for tissue, presses some water out.

3. Drying: The remaining water is removed from the paper web by heat drying. Steam generated in the boiler plant heats up the so-called Yankee cylinder (the large barrel of the machine) and the hood above it, which acts as a hot air conductor. As a result, prepared generic material for tissue paper is rolled to jumbo rolls (weight: 2t, radius: 2m, height: 2.75m). This raw material is further used in paper conversion lines to make specific products.

4. Rolling and cutting: Jumbo rolls of generic material are re-rolled and cut to the customised properties of final product.

Imp act of one paper roll (100 grams):

	Unit of measure	2022	2021
Water	Litres	1.4	1.3
CO_2 (Scope 1+2)	Grams	19.6	14.1
Raw materials	Grams	144.6	138.3
Energy	KWh	0.3	0.3
Waste	Grams	62.4	61.9

GRI: 2-6 303-3

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CONSUMER BRANDS

GRITE and GRITE PROFESSIONAL are the main brands of GRIGEO tissue products, counting a long history. GRITE products are for home users and have been valued by our customers for over 25 years. GRITE PROFESSIONAL brand is Away-from-home products line. We offer more than 60 products: folded towels, wiping paper, kitchen towels, toilet paper, handkerchiefs, facial tissue and much more.

Household products:

Brand name	ORCHIDEA	WHITE RABBIT	BLOSSOM	FAMILY	ECOLOGICAL	CHARISMA
Toilet paper						
Kitchen towels						
Handkerchiefs						
Folded towels						
Facial tissue						
Raw material	Cellulose	Cellulose	Cellulose	Sorted recycled paper	Unsorted recycled paper	Cellulose

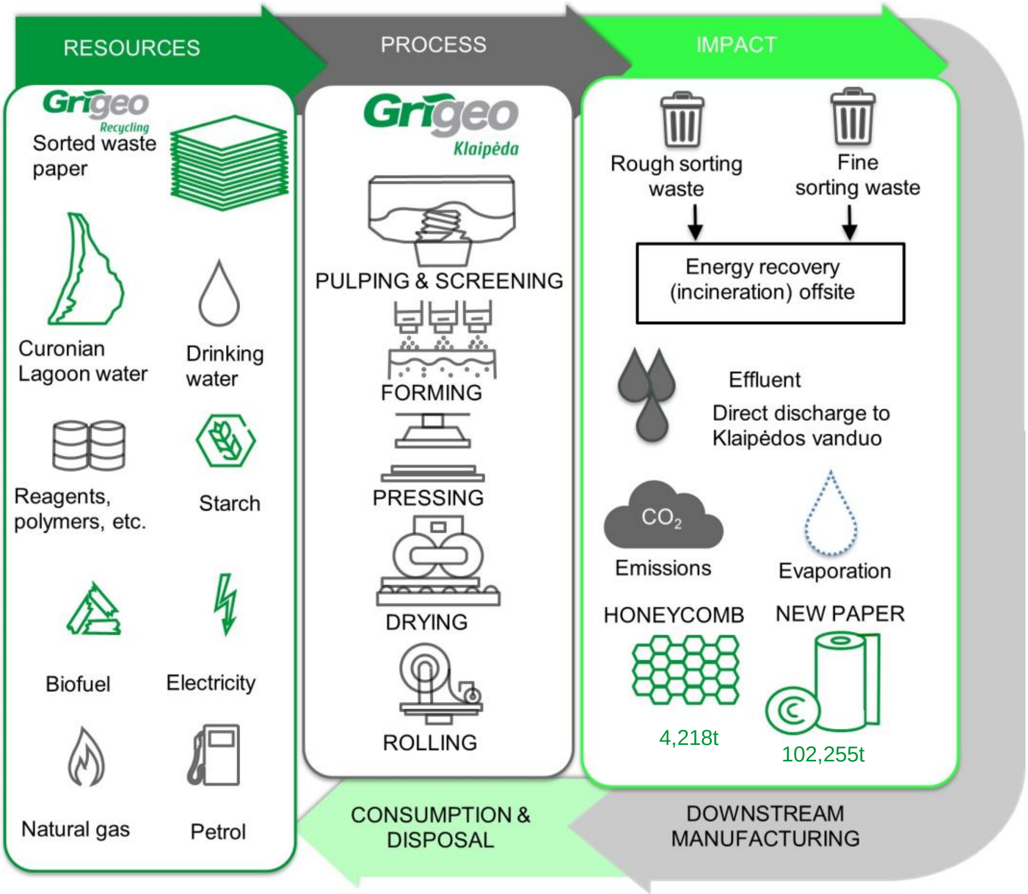
Away-from-home products:

The product line made from cellulose

The product line made from sorted recycled paper

The product line made from unsorted recycled paper

RECYCLED PAPER. Processes in Grigeo Klaipeda AB



Composition of containerboard

Grigeo Klaipėda AB is a major player in recycling industry in the Baltic states. Basically, we divert paper from landfill by returning valuable fibre back to new paper by producing material for corrugated cardboard packaging.

In 2022, we recycled 106,958t of waste-paper and packaging scraps. To bring waste-paper back to business, we needed to add 3,837t of native starch. Waste-paper and starch accounts for 99% of total materials used.

How recycled paper is made

1. Pulping: waste-paper comminuted and mixes with circulating water in pulper to create fibre and water mass.

2. Screening: impurities are removed during pre-treatment (e.g., scrap metal, plastic, etc. from the binding of waste-paper). Fine cleaning removes fine particles such as polystyrene, inorganic materials such as sand, gravel and the like.

3. Forming: the cleaned waste-paper mass is evenly distributed on the net.

4. Pressing: through application of pressure by rotting press, most of the water is removed and circulated back to the production cycle.

5. Drying: the remaining moisture is removed, and the basic form is dried by applying high pressure and temperature. The combination of the applied heat and starch used results in a very robust containerboard.

6. Rolling: recycled paper is rolled into jumbo rolls according to the specifications of the final product.

Honeycomb

Grigeo Klaipėda AB converts produced paper into honeycomb for the furniture and automobile industry.

By nature, a sustainable product (100% recycled material, light weight and easily transported), honeycomb serves as a filling material ensuring durability and light weight of wooden furniture.

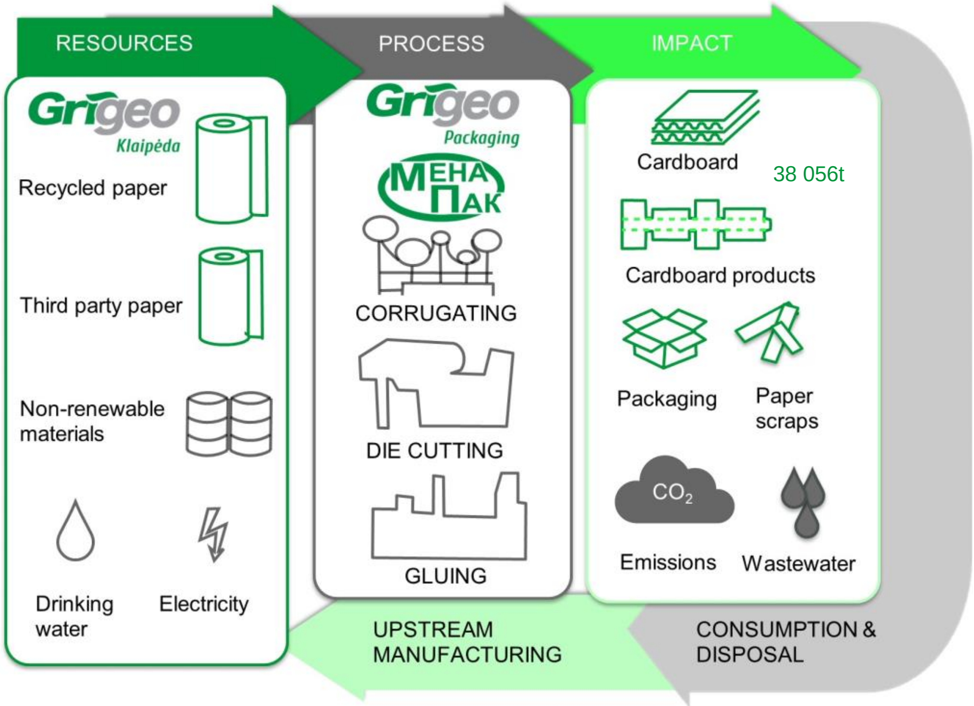
QUALITY

- ISO 14001 Environmental Management System
- FSC® CoC (Chain-of-Custody) certificate
- ISO 9001 Quality Management System
- ISO 45001 Occupational Health and Safety Management Standard
- Good Manufacturing Practices (GMP) Management Standard

SPECIFIC REGULATIONS

- Pollution prevention
- Environment monitoring
- Odour control
- Effluence management
- Natural resources stewardship
- Climate change
- Waste management
- Consumer health and safety
- Packaging management
- Noise prevention
- Steam production management
- Management of chemical compounds
- Hazardous waste management

CONVERTING RECYCLED PAPER. Processes in Grigeo Packaging UAB and Mena Pak AT



QUALITY

- FSC® CoC (Chain-of-Custody) certificate
- ISO 9001 Quality Management System both in Grigeo Packaging UAB and Mena Pak AT
- ISO 14001 Environmental Management System
- ISO 45001 Occupational Health and Safety Management
- Good Manufacturing Practices (GMP) Management Standard

SPECIFIC REGULATIONS

- Pollution prevention
- Environment monitoring
- Natural resources
- Consumer health and safety
- Packaging management
- Noise prevention
- Climate change
- Waste management
- Management of chemical compounds
- Hazardous waste management

Most goods, products, or electronic equipment you bought were safely transported in boxes made of corrugated cardboard as a third or secondary packaging. Many items are sold in individual cardboard boxes as primary packaging. Arguably, corrugated cardboard is the most versatile packaging material:

- Provides maximum protection.
- Easily customised.
- Cost-effective.
- Sustainable.
- Great for branding.
- Lightweight.
- Recyclable and reusable.

The corrugator

A corrugator is a set of machines designed to bring together three or five sheets of paper to form a single, double or triple wall board in a continuous process. Four major steps:

1. Unrolling: three or five sheets of paper (containerboard) are unrolled simultaneously on the corrugator: the inner liner, the outer liner, and in the middle, the medium (also called fluting);

2. Corrugating and gluing: corrugating the flutes (forming waves of middle layer by pressing the sheet under heat through grooved metal rolls) and gluing to a single liner (flat outer layer);

3. Gluing: the second outer layer is glued on to make a rigid board. In the case of 5-layer corrugated cardboard, an additional layer of corrugated and a single liner are glued.

4. Cutting: the board is cut to the desired size.

The corrugated board comes out of the equipment as a flat board sheet.

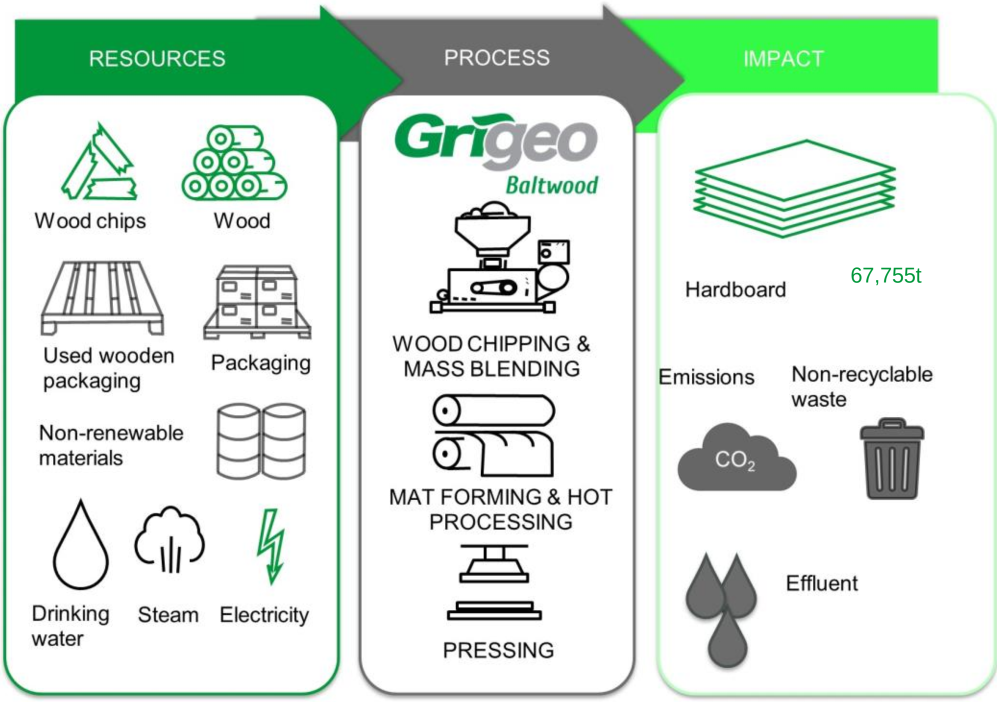
Conversion of the corrugated board

Unlike other companies in our Group, Grigeo Packaging UAB has an unlimited portfolio of products. All our output is customised to meet specific requirements.

The converting of corrugated board includes all processes of transformation, from a flat board to a finished product (mainly packaging).

These processes consist of printing, die cutting, folding, and gluing. Different operations are carried out based on a customer's specification and according to the type of packaging.

FIBREBOARD. Processes in Grigeo Baltwood UAB



QUALITY

- NFB label from. EFM organisation (European Federation of MDF Manufacturers)
- FSC® CoC (Chain-of-Custody) certificate
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 45001 Occupational Health and Safety Management Standard

SPECIFIC REGULATIONS

- Pollution prevention
- Environment monitoring
- Natural resources
- Steam productions
- Packaging management
- Noise prevention
- Climate change
- Waste management
- Effluents management
- Hazardous waste management
- Sludge management
- Composting
- Management of chemical compounds

Composition of fibreboard

For more than 50 years, Grigeo Baltwood UAB operates traditional fibreboard production line. In 2022, we processed 120,656 tonnes of wooden materials (wood chips, wood logs, and used wooden packaging), and only 1,289 tonnes of non-renewable materials, such as resin, varnish, paraffin, and reagents. The technology allows producing durable material made of 99% renewable material.

How hardboard is made

1. Wood chipping and blending: wooden materials (wood chips, wood logs, wooden packaging waste) are chipped, heated with steam and blended to derive fibre which is diluted with water.

2. Mat forming and hot processing: the prepared mass is formed into the mat, dewatering takes place. The water pressed out of the mass is recirculated back to blending.

3. Pressing: we use steam-powered pressing machine to apply heat and pressure on fibre mass to “cook” fibreboards.

4. Cutting: the margins of produced sheets are cut and returned to production cycle.

5. Painting: if needed, we cover our products in white water-based paint.

Key characteristics

- High resistance.
- High density.
- High flexibility.
- Maximum durability.
- Suitable for indoor uses.
- Made of 99% renewable materials.
- Easily recyclable.
- Highly versatile.

In 2022, we produced 23.2 km^2 of fibreboard (in 2021 – 26.2 km^2).

All amounts are in EUR thousands unless otherwise stated

7.8. Social profile

7.8.1. Dialogue and feedback

We understand the meaning of a feedback as a very important and significant work for the manager, the employee, and the company. The feedback is given to employees at all levels and is always based on gender equality and other non-discrimination grounds at the Group companies. The feedback providing form is a performance discussion, which aims to discuss employee performance, career perspectives and development expectations, strengthening employee motivation to pursue new goals actively, thus contributing to the good performance of the Group.

The performance objectives of the Group companies are set for the year, usually during the strategic session of the top management while using X matrix strategy development tool. Objectives are delegated in departments to employees of all levels. Objectives are measured by setting KPIs (key performance indicators) and performance is periodically reviewed. The periodicity of the discussion is determined by the nature of the objectives at different levels of organisation, in the position groups: for managers, the performance is discussed during the annual performance evaluation, for specialists – quarterly, for workers – daily and monthly during the meetings, while training and instructing. The results of the performance evaluation and feedback interview are completed and confirmed in the goal evaluation forms.

Percentage of employees receiving annual performance review:

By business segment and total for the entire Group	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Female employees	66%	67%	35%	36%	54%	56%	54%	56%
Male employees	30%	28%	24%	24%	27%	26%	27%	26%

7.8.2. Employee survey

Our long-term success is built by engaged and motivated people. As an employer, we strive to grow together with our people. We conduct an annual employee engagement survey to determine the current level of our employee engagement, assess how well we use the opportunities for employee's engagement, according to the opinion of employee, in our organization, highlight the strengths of our employees' experiences and aspects for improvement, which is a priority while maintaining and strengthening employee's engagement.

The results of annual survey:

	Engaged		Satisfied		Not engaged	
	2022	2021	2022	2021	2022	2021
Tissue paper	52%	45%	80%	76%	2%	2%
Fibreboard	44%	50%	74%	63%	1%	6%
Paper and packaging	48%	44%	73%	73%	4%	5%
Group	**49%**	**46%**	**76%**	**73%**	**3%**	**4%**
Average of external organisations	**46%**	**45%**	**76%**	**77%**	**4%**	**4%**

In 2022 the Group's overall employee engagement rate is 49%, i.e., 3% higher in comparison with other organizations, participating in this survey, as well as 3% higher in comparison to the Group's rate for the year 2021. The results of engagement survey are presented and discussed with employees, which:

- Sets a direction of working conditions' improvement.
- Helps prepare/develop training programs.
- Provides valuable insights on wage and benefit system modification.
- Gives us a better understanding on the competence of a manager.

We encourage and strive to create the conditions to our employees to express their observations, complaints, and deal with any work-related issues as soon as they occur.

7.8.3. Improving the employee engagement

According to the results of the survey, the most positive employee experiences highlight the strengths of our organisational culture.

The survey also identified 3 priority areas for improvement, which are the focus of the Group companies to increase employee engagement.

The results of the survey show that both the most positive evaluations and the results of areas for improvement have improved over the year. Group companies continue with a performance improvement plan that helps both maintain and grow employee engagement.

GRI: 404-3

All amounts are in EUR thousands unless otherwise stated

Most positive evaluations and areas for improvement:

	Positive		Negative	
	2022	2021	2022	2021
Most positive evaluations				
I believe that our organisation will be successful in the future	84%	71%	3%	9%
My colleagues are always ready to help with work-related questions when needed	78%	76%	6%	7%
I have enough freedom to independently solve issues directly related to the performance of my work.	74%	71%	9%	11%
A positive and friendly atmosphere prevails in my department	74%	69%	8%	12%
The goals and tasks thar are set for me are realistic	72%	66%	9%	11%
Areas for improvement				
My salary is fair compared to the salary received by specialists in a similar field in our country	37%	30%	34%	45%
To achieve organizational goals, departments/groups cooperate effectively	42%	41%	25%	28%
The organization has attractive professional growth opportunities for me	44%	30%	30%	31%

7.8.4. Trainings

Operating in paper and wood industry means running powerful, complex, and often potentially hazardous equipment. Control and management of machinery should be placed into highly qualified hands.

So that we remain capable to deliver to our clients and to ensure our business is operational, we need a robust array of skills, experience, and knowledge. Our employee training and education programme is designed to maximise the potential of all employees and provide them with professional growth opportunities.

Considering a wide range of responsibilities and functions, we designed and keep on improving three different frameworks for training and education:

- Training programmes for production workers.
- Professional growth programmes for specialists.
- Need-based professional improvement training for the management.

Formal training programmes for employees:

Type	Duration	Particularity	Certification	Assuming duties
Training programmes for production workers				
Mandatory in-house.	On average 172 hours.	Introductory, individually designed based on direct functions an employee performs.	Mandatory exam (function-specific matters, health & safety, and LEAN) passing grade: 75%.	We operate potentially dangerous equipment, so “real life” skills must be acquired strictly under the supervision of senior colleagues, shift manager, etc.
Professional growth programmes for specialists and workers				
Mandatory in-house.	On average 2 hours.	Introductory OHS training based on informal programs.	Attestation, passing grade: 75%.	Department-specific. Depending on position, employees are subject to re-examination every 5 years.
Certification by third-party agencies .	8-64 hours.	Based on formal and informal training programs.	Depending on the nature (annually, every 3 or 5 years).	All employees operating potentially hazardous equipment must have an update of certification.
Voluntary in-house.	Varies.	Specialist seeking higher positions within the Group.	Qualification test.	Seeking promotion.
Management and specialists training				
Mandatory in-house.	On average 20 hours.	Individual introductory.	None.	Function specific for all new employees.
Voluntary by the third party.	Varies.	Specific need-based training.	Varies.	Better understanding of the matter, higher motivation, improved professional skills.

It is in our best interest to encourage employees to seek career development within our Group. Our dedicated training coordinators oversee collecting emerging demand for training, both bottom up and top down. This process ensures:

- The number of Qualified Employees required to deliver our products and services.
- Employees improve their qualification.
- Acting along the company's values in their daily activities.
- Seeking development of professional skills.
- Fair remuneration for each employee, considering acquired qualifications.

Supervision & management of training programmes:

- Dedicated personnel consult the leadership and heads of departments to assess the demand and possibilities for training.
- Training coordinators monitor the market for third-party trainings and provide suggestions to relevant managers.
- Special attention is devoted to professional attestation subject to expiration and re-attestation.
- COVID-19 pandemic led us to consider personal wellbeing and emotional support seminars and trainings.

Key numbers of the Group:

	2022 m.	2021 m.
Formal training, in thousand hours	52	35
Formal training budget per employee, in euros	132	61
Formal training per employee including practice at workplace, in hours	67	45
Formal training budget, in EUR thousand	101	48

Provided the complexity of our business, in cooperation with respective management our training coordinators constantly update us on:

- Innovations in production or services: new methods of operation, control or management; new technologies.
- Updates and explanations of the requirements of LST EN ISO 9001:2015, LST EN ISO 14001:2015, LST EN ISO 45001:2018, FSC standards.
- Analysis and explanation of the principles of good manufacturing practice.
- Introduction to the new national and international regulations.
- Instruction on occupational safety and health.
- Integrated management systems.
- Hygiene and sanitation.
- Environmental impact management.
- Procurement and other process improvement.

Formal training in numbers:

	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
In-house training, in thousand hours	14	14	6	7	17	5	37	26
Average hours of in-house training per employee	51	48	42	49	49	14	48	33
Third-party training, in thousand hours	6	1	2	2	7	6	15	9
Average hours of third-party training per employee	23	3	11	14	19	19	19	12

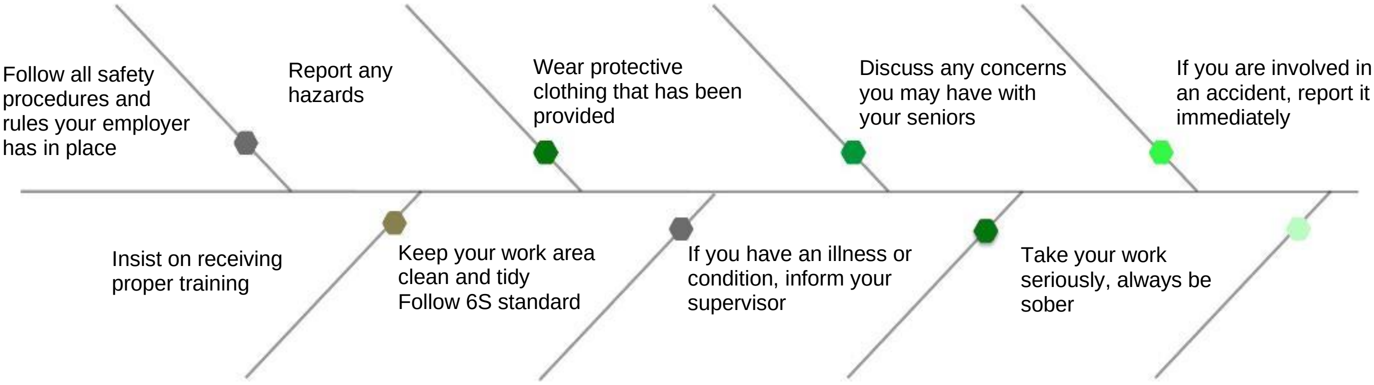
Composition of training withing the Group:

	2022	2021
In-house training		
Induction program for newly hired employees	67%	72%
Occupational safety and health, introductory training, fire safety	5%	2%
Third party training		
Mandatory to obtain qualification certificates	17%	21%
Management, training of general professional competences	11%	5%

All amounts are in EUR thousands unless otherwise stated

7.8.5. Occupational safety and health

General safety guidelines for every employee:



In 2016, our companies, with an exception of Mena PAK AT, implemented the OHSAS 18001:2007 Occupational Health and Safety Management Standard (ISO 45001 from 2021). This standard helps ensure the company's occupational health and safety, reducing the likelihood of accidents at work and occupational morbidity. Group-wide we strive to achieve a zero-accident workplace.

Key features of our occupational safety and health (hereafter – OSH) system:

- Compliance with legal requirements and the code of Business Ethics.
- Fostering high awareness and personal interest.
- Encouraging initiative to actively contribute.
- Providing workers with safe and healthy working conditions to prevent work-related injuries and illness.
- Identifying and eliminating hazards in a timely manner.
- Prioritising OSH standards in procurement processes and selecting suppliers.
- Constantly analysing, assessing, and implementing the needs of stakeholders; looking for ways to implement their requirements more effectively.
- Strict control over any contractor operating within our facilities.
- OSH management applies to all employees and contractors, visitors, suppliers, interns.
- Constant training and timely certification of people in charge.

Work-related accidents and TRI rate*	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
High-consequence injuries	-	-	-	-	-	-	-	-
Minor injuries	5	10	6	6	6	11	17	27
Hours worked	505,663	518,908	251,457	262,905	797,741	797,741	1,487,244	1,579,554
TRI rate*	**9.9**	**19.3**	**23.9**	**22.8**	**8.2**	**13.8**	**11.4**	**17.1**

*Number of incidents among our own employees per 1 000 000 hours worked.


Fire management instruction


Standard management of chemicals

Hazard identification	Key risk factors
• In 2022, we operated without a single life-changing accident. No workers (both our employees and those employed by our contractors) suffered a major injury. • We are dedicated to maintaining a safe and reliable workplace for everybody performing their duties within our Group. • Occupational risk assessment is performed by an external company. • The risk assessment of production processes performed internally involves OSH specialists, production management, employees, and the quality department. • Incident investigation – through a register of unsafe situations or in the event of a more serious incident, a team is selected to investigate the incident. • Constantly evaluating risk factors. • Close cooperation with production workers daily.	• Rotating parts of equipment. • Moving transport, loading works. • Night work. • Work at height. • Works in wells. • Manual lifting of loads. • Working with chemicals. • Use of potentially dangerous equipment (cranes, pressure vessels, elevators).

Avoiding accidents:

All employees are required to report potentially dangerous working situations. All reported situations are registered and administered via the registry of unsafe working situations.

Mobile app to register technical tasks

- A mobile application is designed to log technical problems. Registered problems travel to the Maximo system, where technical staff plans repairs or reacts quickly to the problem:
  - PM – preventive maintenance identifying potentially risky situations or malfunctions.
  - SR – service request, a specific task.
  - WO – work orders directed to the technical crew.
- In case an employee is not willing or able to use a mobile app, paper form might be used.
- Safety issues are addressed during daily shift meetings.
- All employees have access to OSH specialists.
- Nobody is allowed to solve technical problems independently.
- Employees are represented in occupational health and safety committee.
- Employees are involved evaluating risks and hazards.
- All personal and group protective gear is tested and approved by production workers.
- We promote employees' responsibility, and it is always emphasised that, although the employer is responsible for the safety and health of workers, all safety remains in the hands of the workers themselves.

OSH committees composed of employer and employee representatives have been set up in the companies of the Group. Main responsibilities:

- Analysis and assessment of the state of safety and health of employees.
- Consideration of preventive measures to prevent accidents at work and occupational diseases.
- Analysis of safety training and instruction of employees in every company.
- Observation of the established procedure and the provision of employees with collective and personal protective equipment and the supervision of these measures.

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7.8.6. Wages and benefits

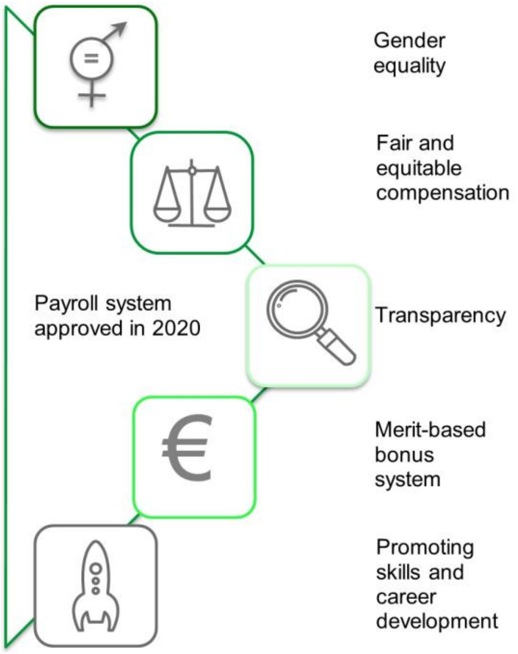
Payroll system

A transparent and clear wage management system, approved in 2020, helps to retain and attract talents, promotes productive and efficient work, and allows fair renumeration for work performed and results achieved.

In all our companies of the Group, positions are divided into three main groups: managers (2 levels), specialists (4 levels) and workers (3 levels). Additional monetary incentive systems are applied to all groups of positions or certain individual positions. The social dialogue between the employer and the employees of the Group companies is ensured together with the existing trade unions and/or work councils. The relations of Grigeo AB and Grigeo Klaipėda AB with the employees are defined by the provisions of the collective agreement.

We take care of our employees, strive to ensure that the employees of Group companies would feel engaged, motivated, and safe, and provide employees with the access to additional benefits. The list of benefits is reviewed according to the needs of the employees. Benefits are rated very favourably and used actively by employees.

The basic wage is determined based on the category and level of position as well as objective criteria relating employee‘s education, experience, competencies, abilities in relation of responsibility degree, the nature and complexity of work performed, and the results obtained.



Key principles of our payroll system

The motivation is strengthened by providing other additional benefits, such as: health promotion initiatives, events and means; team building events; prizes and gifts for employees and their kids; election and awards of the best employee, reflecting the values of the Group companies.

Health insurance	Fringe benefits for health
In 2022 we provided employees with an opportunity to take out an additional health insurance by choosing from two health insurance value propositions EUR 5,255 and EUR 5,210 which include: • Outpatient treatment and diagnosis. • Inpatient treatment in public hospitals. • Medicines, vitamins, food supplements. • Dentistry, optics. • Preventive health checks + vaccination. • Rehabilitation treatment. • Critical illness (lump sum).	• Employees are invited to participate in hikes, jogging, cycling marathons, tournaments of basketball, football. • Grigeo Klaipėda AB employees were encouraged and actively participated in „Run of Hope” marathon. • Mental and physical health promotion seminars. • Promoting a healthy lifestyle. • Gym membership compensation. • Influenza, tick-borne encephalitis vaccination. • Health checks are performed regularly every 2 years or as directed by your doctor. • Defibrillators were purchased: most employees are trained to use them in case of emergency so to possibly save lives by providing first aid before the arrival of doctors. • Regular trainings in fire safety.

Key remuneration numbers:

	2022	2021
Total remuneration budget of the Group, EUR million	23.4	22.1
Annual increase in total remuneration budget, %	6.0%	7.2%
President of Grigeo AB (CEO) pay-out ratio to the median annual total compensation for all employees	8.6	8.2

All amounts are in EUR thousands unless otherwise stated

The number of employees as at 31 December:

Employees	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Women	70	69	40	39	118	114	228	222
Men	210	201	97	98	330	340	637	639
Total	**280**	**270**	**137**	**137**	**448**	**454**	**865**	**861**

Ratio of basic salary and remuneration of women to men:

Employees	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Under 30 years old								
Women/Men	1:0.83	1:0.72	0.91:1	0.84:1	0.89:1	0.92:1	0.96:1	1:0.94
30-50 years old								
Women/Men	1:0.98	1:0.93	0.73:1	0.80:1	0.97:1	0.95;1	0.95:1	0.97:1
Over 50 years old								
Women/Men	0.79:1	0.80:1	0.85:1	0.83:1	0.90:1	0.93:1	0.83:1	0.85:1
Total	**0.95:1**	**1:1**	**0.77:1**	**0.79:1**	**0.90:1**	**0.90:1**	**0.89:1**	**0.98:1**

Ratios of standard entry level wage by gender compared to local minimum wage:

Employees	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Women	2.42:1	3.58:1	1.67:1	1.44:1	1.24:1	1.13:1	1.85:1	1.49:1
Men	1.81:1	1.95:1	2.21:1	1.93:1	1.84:1	1.71:1	1.94:1	1.80:1
Total	**2.30:1**	**2.08:1**	**1.84:1**	**1.74:1**	**1.69:1**	**1.61:1**	**1.91:1**	**1.74:1**

New employee hires:

Employees	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Under 30 years old								
Women	3	2	3	3	5	9	11	14
Men	19	14	9	13	21	33	49	60
30-50 years old								
Women	10	11	6	12	7	14	23	37
Men	26	18	10	13	26	33	62	64
Over 50 years old								
Women	1	-	2	3	1	2	4	5
Men	9	8	11	7	15	13	35	28
Total	**68**	**53**	**41**	**51**	**75**	**104**	**184**	**208**

All amounts are in EUR thousands unless otherwise stated

Rate of new employee hires, %

Employees	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Under 30 years old								
Women	4.4%	3.8%	7.3%	5.9%	6.7%	8.7%	6.0%	6.7%
Men	27.9%	26.4%	22.0%	25.5%	28.0%	31.7%	26.6%	28.8%
30-50 years old								
Women	14.7%	20.8%	14.6%	23.5%	9.3%	13.5%	12.5%	17.8%
Men	38.2%	34.0%	24.4%	25.5%	34.7%	31.7%	33.7%	30.8%
Over 50 years old								
Women	1.5%	0.0%	4.9%	5.9%	1.3%	1.9%	2.2%	2.4%
Men	13.2%	15.1%	26.8%	13.7%	20.0%	12.5%	19.0%	13.5%
Total new hires	**68**	**53**	**41**	**51**	**75**	**104**	**184**	**208**

Rate of employee turnover and employee retention rate, %:

Employees	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Under 30 years old								
Women	94.7%	0.0%	68.6%	41.4%	34.3%	25.4%	54.4%	19.6%
Men	49.5%	37.2%	69.0%	69.2%	47.7%	62.7%	51.4%	52.8%
30-50 years old								
Women	11.3%	37.2%	31.9%	67.9%	12.3%	28.5%	14.1%	39.2%
Men	15.3%	31.0%	26.3%	24.9%	18.8%	21.1%	18.9%	25.4%
Over 50 years old								
Women	10.1%	12.6%	10.4%	42.9%	3.0%	20.6%	7.3%	23.2%
Men	17.1%	18.4%	32.2%	42.9%	33.6%	24.3%	27.1%	26.9%
Total turnover	**20.9%**	**27.4%**	**31.0%**	**41.5%**	**23.1%**	**28.5%**	**23.8%**	**30.8%**
Retention rate	**87.5%**	**90.7%**	**82.5%**	**77.4%**	**87.3%**	**84.3%**	**87.0%**	**85.7%**

The Group takes care of its employees and pays special attention to employee retention and talent acquisition. The factors that led to the positive change in employee retention and employee turnover rates are complex. One of the most important factors to retain existing employees and attract new talent is competitive remuneration. The Group constantly monitors the labour market, salary forecasts, considers the analysis of the available data, reviews the salary system during the year. Other important factors are interesting and meaningful work, the opportunity given to employees to develop competences, the involvement of employees in ongoing projects, the implementation of strategic goals and the appreciation of employees for the results achieved.

The Group's important focus is the management of employee experiences, therefore discussing the results of the annual employee engagement survey with employees and the feedback provided by employees helps Group companies to improve action plans for creating positive employee experiences, thus strengthening the organizational culture, physical work environment and technologies.

Parental leave:

Employees	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Employees entitled to parental leave								
Women	1	4	1	2	1	3	3	9
Men	12	4	4	4	15	12	31	20
Employees that took parental leave (of those entitled to do so), %								
Women	100%	100%	100%	100%	100%	100%	100%	100%
Men	17%	0%	25%	25%	7%	0%	13%	5%

All amounts are in EUR thousands unless otherwise stated

7.8.7. Local communities

Location of our factory in Klaipėda city

Odours:

- Located in the centre of Klaipėda city, we recycle paper waste. We find various microorganisms (molds, fungi, bacteria) in paper raw material – waste paper, which can cause a strong odour under certain conditions.
- Paper recycling process provides favourable conditions for microbes to grow and reproduce. Those microbes might cause intense odours.
- Based on our research, the intensity of the odour is dependent on the quality of paper being recycled.
- In addition, we use raw water from the Curonian Lagoon, which adds contamination to the process and accelerates the reproduction of microbes.

Our actions:

- Improved working environment: the sewer at the factory cleaned, disinfected.
- Portable constant measurement station for ammonia and hydrogen sulphide emissions.
- Chemical dosing equipment and an online monitoring and management platform are installed. We monitor all data in real time, online, so we can respond immediately to any incidents of increased pollution, thus preventing more pollution from entering residential areas.

Compliance:

- In 2022 Grigeo Klaipėda AB received six requests from the National Public Health Center and the Environmental Protection Department (EPD) regarding odours possibly related to the activities of Grigeo Klaipėda AB.
- 2022 during the inspections carried out by the AAD and other environmental protection authorities, no violations were found.
- According to Grigeo Klaipėda AB's environmental protection monitoring program, emissions from stationary sources of pollution and the concentration of hydrogen sulphide in the living environment did not exceed the norms established in integrated pollution prevention and control requirements.

Further steps:

- Analysing potential solutions to collect and ozonate the air flow from the production premises ducts.
- Analysing potential solutions to install carbon filters at the production facilities, which will reduce emissions of pollutants, but its odours as well.
- We analyse the content of sulphates in water of Curonian lagoon. This water is used in our production cycle and bacteria decompose sulphates to hydrogen sulphide (H_2S) under anaerobic conditions.
- We cooperate and consult with Lithuanian and foreign universities and experts on odour removal solutions.

Group's direct charity contributions to local communities:

	2022	**2021**
City of Vilnius	47	33
City of Klaipėda	149	148
Donations to Ukraine	95	-
Total	**291**	**181**

Group companies provide financial support for the implementation of environmental and social projects and initiatives of various external organizations. Since the beginning of the war in Ukraine, the Group has been supporting Ukraine by providing humanitarian and financial support to charity and support organizations. In 2022, the implementation of the support agreement of Grigeo Klaipėda AB with the University of Klaipėda was continued, with the aim of creating solutions for reducing environmental pollution in the Klaipėda region (for more details, see Incidents section 7.5).

All amounts are in EUR thousands unless otherwise stated

7.9. Environmental profile

7.9.1. Energy mix in our operations

The Group is one of the largest paper and wood industry company groups in the Baltic states. By nature, paper production is resource- and energy-intensive business. Our responsibility is to ensure production efficiency to reduce our negative impacts. In 2022, our energy consumption almost reached 548 GWh per year.

The Group is one of the largest wood chip consumers in the market. In 2022, we consumed 29 thousand tonnes of oil equivalent of wood chips, which converts to 334GWh or 61% of total energy mix within the Group.

Our consumption of electricity amounted to 117GWh in 2022, making electricity the second-largest energy resource used for our production lines. In 2022 the Group decided to invest itself in renewable energy production capacity, abandoning the purchase of green certificates on the market, the price of which has increased drastically. This led to a significant increase in electricity from non-renewable sources.

78% of total energy needed to maintain our operations was certified as renewable. According to electricity distributor Litgrid AB, final electricity consumption in Lithuania in 2021 was 11TWh, so we estimate that the Group consumed 1% of total electricity in Lithuania.

Energy consumption in GWh	Tissue paper		Sold heat		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Renewable energy										
Biofuel	64	59	37	35	87	96	146	154	334	344
Electricity	31	43	-	-	14	20	48	65	93	128
Non-renewable energy										
Natural gas	32	48	-	-	-	-	60	71	92	119
Electricity	11	-	-	-	3	-	10	1	24	1
Diesel for transportation	-	-	-	-	1	1	2	2	3	3
Petrol for transportation	-	-	-	-	-	-	1	-	1	-
Liquid gals for transportation	-	-	-	-	-	-	1	1	1	1
Energy in total	**138**	**150**	**37**	**35**	**105**	**117**	**268**	**294**	**548**	**596**
Renewable energy, %	**69%**	**67%**	**100%**	**100%**	**96%**	**99%**	**73%**	**74%**	**78%**	**79%**

Energy efficiency

We understand that our product energy impact is managed via energy mix (shifting to renewable energy sources) and improving energy efficiency.

Energy efficiency is a key performance indicator both for economic and environmental performance of our manufacturing facilities. In 2022, our total energy consumption did not change significantly; however, increased energy prices inflated our energy costs twice from EUR 26 million in 2021 up to EUR 52 million in 2022. Considering all circumstances, the investments in energy efficiency improvements will remain our key investment direction.

Energy consumption KWh/t	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Renewable energy								
Biofuel	1,419	1,204	1,368	1,414	1,356	1,317	1,546	1,470
Electricity	699	883	223	293	444	552	432	546
Non-renewable energy								
Natural gas	706	993	4	-	556	608	425	512
Electricity	238	-	42	-	92	8	107	4
Diesel for transportation	1	1	17	17	22	20	16	15
Petrol for transportation	8	7	2	2	5	4	5	4
Liquid gals for transportation	7	8	-	-	7	6	5	5
Total	**3,078**	**3,095**	**1,655**	**1,727**	**2,481**	**2,516**	**2,536**	**2,556**

The Group managed to reduce the energy consumption per ton of produced production from 2,556 KWh to 2,536 KWh, or 0,8%.

GRI: 3-3 302-1 302-2 302-3 302-4 302-5

7.9.2. Addressing climate change risks

We acknowledge the gravity of scenario analysis in disclosure of climate-related risks and opportunities. For FY2021 reporting, we chose to start with qualitative analysis to help the management explore the potential range of climate change implications. Quantitative approaches are limited to availability of existing external industry- & location-specific scenarios and models, as well as limited internal resources for extensive modelling. We employed TCFD reporting principles to analyse possible climate change to limited capacity.

The Group is constantly investing in new equipment, which allows to reduce emissions of Scope 1 per ton of production. The costs of investments and their impact are disclosed in section 7.4 and interim results are disclosed in section 7.2.

In 2022 the Group decided to invest itself in renewable energy production capacity, abandoning the purchase of green certificates on the market, the price of which has increased drastically. More than 3 MWh solar power plant should start production in 2024.

Climate change related disclosures:

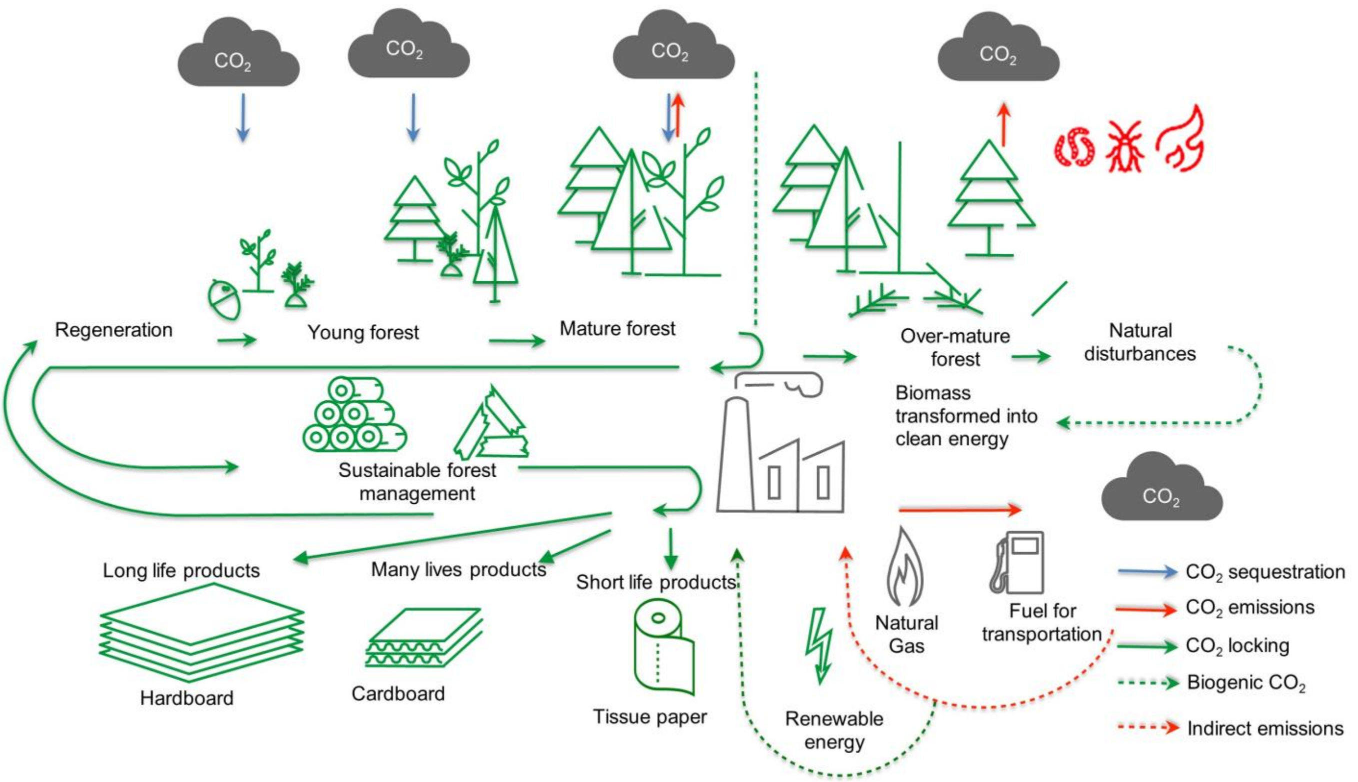
- We contract independent assessor to calculate GHG emissions on company as well as Group level.
- We report on scope 1, 2 & 3.
- Consolidated GHG emissions in 2022 amounted to 99.6 thousand tonnes CO_2 equivalent.
- The reliability of scope 1 & 2 results is high, as input data is directly transferred from company invoices; national emission factors are applied.
- The reliability of the accounting for scope 3 is average. There are no national emission factors, and therefore DEFRA emission factors have been applied. The use of publicly available coefficients is always associated with a large error, so the calculations of the scope 3 do not have high reliability.

Climate change risks and potential impact on our business lines by category:

	Relevant short- and long-term physical climate impacts	Illustrative effects on value chain	Approach guidelines
Technology and market shifts	• Policies and investments to ensure a low carbon emissions economy.	• Increased demand for energy-efficient lower-carbon products. • Modern technologies that disrupt markets.	• Shift to renewable energy to eliminate GHG scope 2 emissions. • Increase energy consumption efficiency. • Refurbishing of machinery. • Scrutinised performance measurement.
Reputation	• Raising awareness of climate change. • Growing expectations for responsible manufacturing. • Public attention to deforestation. • Concerns about manufacturing waste. • Concerns about water usage.	• Threats to securing social license to operate. • Opportunity to enhance reputation and brand value. • Opportunity to engage with stakeholders consistently.	• Improving company transparency. • Our impact assessment and measurement. • Updating our procurement policies. • Active engagement with stakeholders. • Regular reporting. • Increasing contribution to other environmental objectives, such as circular economy. • Improving transparency.
Policy and legal	• Evolving requirements. • Regulatory changes on the national and EU level.	• Threats to securing legal license to operate. • Increased operating costs. • Increased tax. • Emerging concern about liability.	• Closely monitoring the development of industry-specific regulations. • Monitoring changes in regulation through supply chain.
Physical risks	• Increased intensity and duration of extreme weather events, such as heat waves, storms, and floods. • Precipitation extremes and flooding. • Increased evaporation of surface water. • Increased mineral content of surface water. • Rising sea level. • Rising temperatures. • Increased wildfires. • Shifts in seasons.	• Increased business interruption. • Damage across operations and supply chains. • Compromised reliability of material supply. • Volatility of input costs and revenues. • Unpredictable asset values and insurance claims. • Increased cost of capital. • Share price volatility. • Increase in CAPEX.	• Monitoring. • Climate change adaptation plans. • Continuous engagement with suppliers. • Improving climate change scenario analysis. • Regular review of the climate change scenario.

7.9.3. Greenhouse gas (GHG) emissions

CO_2 journey in our industry. Source: Resolute Forest Products, Canada:



Products derived from timber (such as paper and hardboard) are known to sequester significant amounts of carbon dioxide. Trees sequester carbon dioxide by photosynthesis during their vegetation phase. So as long as the tree and products made from the tree haven't decomposed or been burnt (at which point the carbon joins with two oxygen, becoming carbon dioxide again), the carbon remains locked in and serves as a carbon sink. To grow up, trees need water and carbon dioxide, breaking it down in photosynthesis to produce energy and releasing oxygen as their emission. The carbon stays within fibre even after trees are cut and processed into cellulose and later to paper Responsibly managed forests avoid decomposing of mature or over-mature forests and help to secure CO_2 trapped in trees.

By recycling waste paper, we accumulate and renew the CO_2 accumulations contained in the paper raw material products, for example, in a cardboard packaging box. It is estimated that one ton of cardboard paper "locks in" 1,474 kg of CO_2. Based on this, our annual production "locked" about 143 thousand tons of CO_2. Carbon sequestration (the removal of CO_2 from the atmosphere and its preservation) in paper products is significantly prolonged after recycling. Tissue paper usually has a short life, so CO_2 circulation is fast.

In addition, biofuels (scraps of timber industry, branches, and other by-products and biomass) account for 58% of total the energy needed for our operations. Burning biofuel emits biogenic CO_2 previously collected and locked in by trees, thus no additional CO_2 is emitted because of burning biomass.

Emissions by scopes

Scope 1: Direct GHG emissions occur from sources that are owned or controlled by the company, such as emissions from our combustion boilers. Group's main scope 1 emissions comprise mainly natural gas combustion in our facilities located in Klaipėda and Grigiškės. GHG emissions not covered by the Kyoto Protocol, e.g., CFCs, NO_x, etc., are not included in scope 1.

Scope 2: Indirect GHG emissions caused by generation of externally produced energy such as electricity. In 2021, virtually all electricity consumed in our Group came from renewable sources, thus GHG emissions were virtually non-existent. In 2022, with the onset of the energy crisis in Europe, the Group decided to buy electricity on the market without certificates, therefore, a significant increase in GHG emissions can be seen in Scope 2.

Scope 3: an optional reporting category that allows self-evaluation of all other emissions of the Group's activities, which the Group does not manage or control. They are related to the Group's supply chain: from the production of purchased raw materials and goods to their transportation and sale of manufactured products. These GHG emissions include such categories as: purchased raw materials and services and emissions from third-party production (e.g., cellulose, starch), emissions from vehicles (transportation of raw materials, production). Calculations for Scope 3 are less reliable, as it is necessary to properly assess the GHG emissions of suppliers. DEFRA, supplier data and other publicly available factors were used to calculate emissions.

in 2022 about 44% of the Scope 3 emissions of the Group are related to the production of purchased raw materials, about 16% – to the transportation of raw materials and finished products. Trucks delivering our products drove about 8.4 million kilometres per year. Production was also transported by sea and rail.

Calculating our impact

GHG emissions were calculated by an independent third-party provider applying control approach. Under the control approach, a company accounts for 100% of the GHG emissions from operations, over which it has operational control. Base year: 2021.

Consolidated GHG emissions in thousand tons:

Scope	2022		2021	
	Total tCO_2e	Biogenic tCO_2e	Total tCO_2e	Biogenic tCO_2e
Scope 1	22.8	156.0	27.6	166.7
Scope 2 (location-based)	25.9	-	28.6	-
Scope 2 (market-based)	7.7	-	0.5	-
Scope 3	69.0	309.0	74.9	323.4
Total location-based	**117.7**	**465.0**	**131.2**	**490.1**
Total market-based	**99.6**	**465.0**	**103.1**	**490.1**

Biogenic carbon dioxide (CO_2) is carbon dioxide released during the combustion or decomposition of biomass and other organic material. Only if biomass used for biofuel is cultivated in a sustainable way, biogenic CO_2 is not recognised as a greenhouse gas emission. It is very important to note, that all timber and its products as well as biomass consumed for production and combustion come from sustainably managed sources.

Tissue paper produced from virgin cellulose requires the most energy per tonne; therefore, its GHG emissions are substantially higher compared to the emissions of recycled paper production. Scope 3 in tissue category is inflated by two main factors: manufacturing of cellulose and both upstream and downstream transportation.

We have accurate GHG estimates for 2020, 2021 and 2022. We have set GHG emission targets for product categories and developed a GHG reduction plan (see section 7.2 for targets).

Average GHG emissions, $kgCO_2e$ per ton of production:

Average GHG emissions, $kgCO_2e/t$	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Scope 1	133.2	150.8	28.3	49.9	131.5	136.1	101.5	114.1
Scope 2 (location-based)	208.6	195.4	57.8	64.1	121.6	130.9	121.0	125.0
Scope 2 (market-based)	63.1	0.2	16.0	0.0	37.0	5.9	36.3	3.0
Scope 3	618.3	644.1	174.1	191.3	285.7	279.3	322.1	330.0
Total location-based	**960.1**	**990.3**	**260.2**	**305.2**	**538.8**	**546.2**	**544.6**	**569.1**
Total market-based	**814.7**	**795.1**	**218.5**	**241.1**	**454.2**	**421.2**	**460.0**	**447.1**

Within the Group, heat energy is sold between segments. For example, Grigeo AB sells heat energy to Grigeo Baltwood UAB. The emissions of heat energy purchased by Grigeo Baltwood UAB fall under Scope 2. Meanwhile, from the Group's point of view, these emissions remain in Scope 1. For a clearer representation by segments, this type of emissions in a segment is moved from Scope 2 to Scope 1 to match the representation of Group emissions.

The Group is constantly investing in new equipment, which allows to reduce emissions of Scope 1 per ton of production. However, the main factor leading to the reduction of Scope 1 emissions in 2022 was lower consumption of natural gas, when production processes had to be temporarily stopped due to the energy crisis, thus biofuel boilers were used more intensively. The market-based emissions of all scopes increased due to Group's decision to discontinue buying green energy.

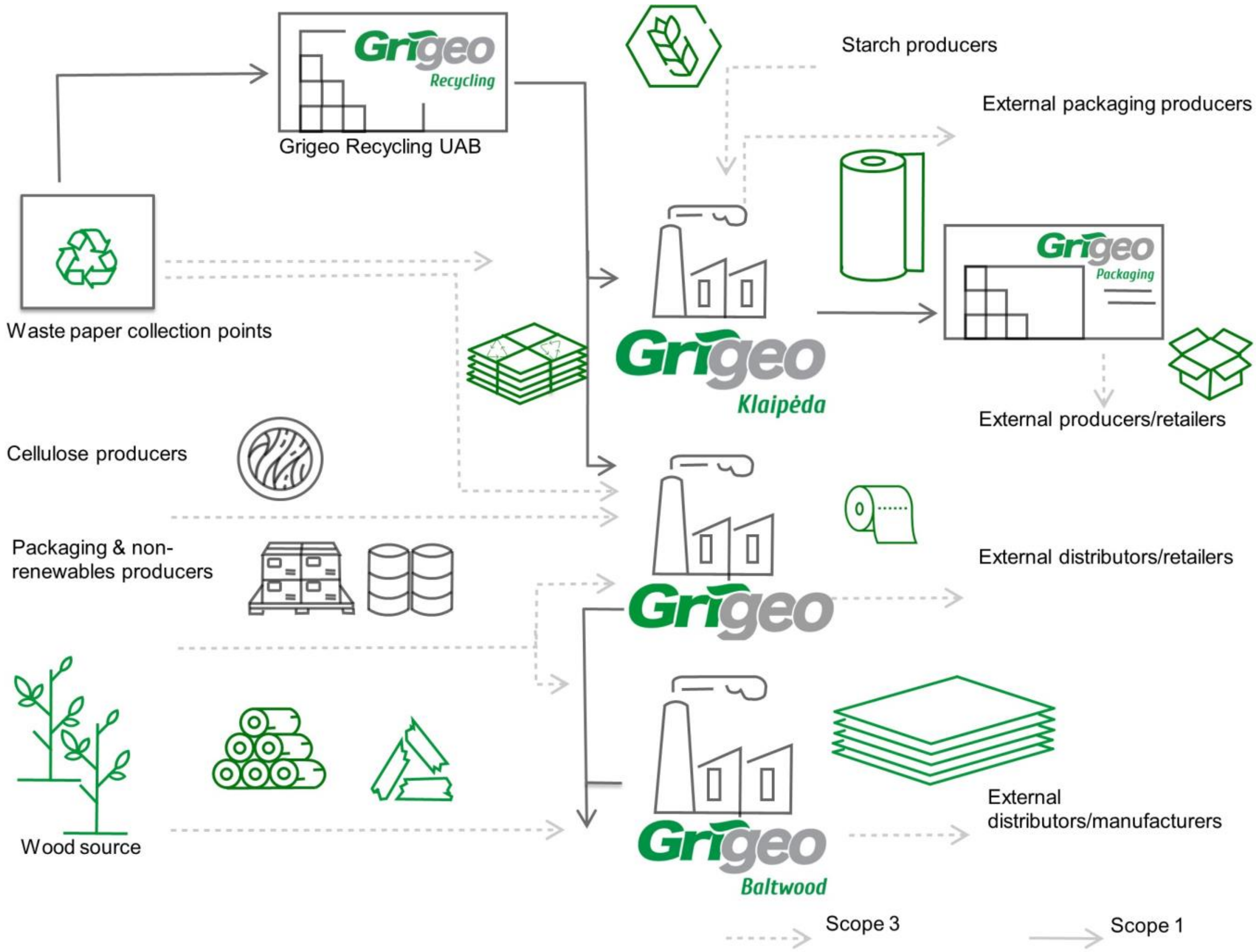
All amounts are in EUR thousands unless otherwise stated

Emission categories, tCO_2e

Scope	Source of emission	2022		2021	
		tCO_2e	%	tCO_2e	%
3	Purchased raw materials	44,031	44,2%	47,493	46.1%
1	Fuel for energy	21,092	21,2%	26,337	25.5%
3	Product transportation (downstream)	9,898	9,9%	12,501	12.1%
2	Electricity – (market based)	7,719	7,8%	521	0.5%
3	Energy losses and fuel	7,712	7,7%	8,838	8.6%
3	Transportation of raw materials (upstream)	5,833	5,9%	4,551	4.4%
1	Transport	1,436	1,4%	1,291	1.3%
3	Waste	907	0,9%	908	0.9%
3	Water consumption	567	0,6%	633	0.6%
1	Gas leaks/freons	317	0,3%	0	0.0%
3	Business trips	43	0,0%	24	0.0%
	Total	**99,555**	**100%**	**103,095**	**100%**

Scope 3 emissions in 2022 accounted for 70% of all emissions (73% in 2021). Transport (sale of products, purchase of raw materials, as well as transportation of intermediate products and raw materials between Group companies) accounts for a significant share of emissions (16% in 2022, 18% in 2021).

Transport: Scope 1 and Scope 3:



All amounts are in EUR thousands unless otherwise stated

7.9.4. Air and water quality

Air emissions

Grigeo AB and Grigeo Klaipėda AB are key emitters, as these two companies operate boiler houses. Grigeo AB supplies steam to Grigeo Baltwood UAB which does not burn any sort of fuels needed to produce hardboard.

Monitoring of all air pollutants emitted from our boilers is performed in accordance with the approved Environmental Monitoring Programme twice a year (in the warm and cold seasons). All measurements are done by an independent third-party supplier. Air emissions in tonnes per year:

Source	AB "Grigeo"			AB "Grigeo Klaipėda"			
	2022	2021	Legal limit*	2022	Legal limit*	2021	Legal limit*
Nitrogen oxides (NO_2)	135.6	138.7	248.2	112.4	185.0	87.4	162.3
Sulphur dioxide (SO_2)	6.9	7.0	10.9	5.5	8.9	5.9	20.7
Carbon monoxide (CO)	191.0	193.9	322.2	154.9	252.9	296.7	723.5
Particulate matter	25.1	25.3	38.7	1.1	1.4	2.3	11.1

*Permitted pollution in tons per year according to the Integrating Pollution Prevention and Control Permit.

The nature of water pollution

The raw materials used have a significant influence on the quality of the composition of wastewater generated in production processes. As we disclose in the upcoming section 7.9.6, 98% of total materials used come from renewable sources in the form of fibre.

Water is used in almost all stages of paper (both tissue and containerboard) production. In addition, hardboard production process also heavily depends on water supply. The quality of industrial wastewater is characterized by biochemical oxygen consumption (BOD_7), suspended solids (SS), total nitrogen (N), total phosphorus (P). BOD_7 represents the amount of dissolved oxygen needed (i.e., demanded) by aerobic biological organisms to break down organic material present in each water sample at a certain temperature over a specific time. This is an indicator of organic contamination.

A long and strong fibre is required to produce high-quality tissue paper, cardboard, and wood panels. The fibre in paper products going through repetitive recycling cycles deteriorates over time becoming weaker, shorter and becomes unsuitable for papermaking, i.e., during paper web formation, a large part of the fibre enters the wastewater as SM and settles as sludge.

In 2022 we recycled 132 thousand tonnes of waste paper which contains various additives and impurities in its composition. All these impurities become our waste and water pollution.

Wastewater quality

Pollution by operating sites in tonnes:

Source	Grigiškės*		Klaipėda**	
	2022	2021	2022	2021
BOD_7	606.8	1,069.0	2,404.8	2,537.7
Nitrogen (N)	-	-	21.4	33.3
Phosphorus (P)	-	-	3.0	3.4
Suspended solids (SS)	260.4	342.6	199.0	311.0
Total	**867.2**	**1,411.6**	**2,628.3**	**2,885.5**

*Grigeo AB, Grigeo Baltwood UAB, Grigeo Packaging UAB, Grigeo Recycling UAB
**Grigeo Klaipėda AB

Total pollution in kilograms per ton of production:

Company	2022	2021
Grigeo AB (BDS_7+SS+P)	8.4	8.9
Grigeo Baltwood UAB (BDS_7+SS)	7.1	260.5
Grigeo Klaipėda AB (BDS_7+N+P+SS)	25.5	25.9

A significant decrease in both the absolute amount and the amount of BDS_7 per ton of production is related to Grigeo Baltwood UAB's investment in a waste water evaporator (more detailed description in section 7.4).

Water withdrawal

Paper industry is water intensive, compared to 2021 in 2022 total consumption of water decreased by 7% and amounted to 1.9 million cubic meters.

Vokė river and Curonian lagoon are the key sources for our water withdrawal. Tap water from municipal water supply networks makes up only to 2% of total water we take info our product lines. 4% of all water comes in through our gate embedded in materials. Rain water, currently not used in production cycle, accounted for 6% of total water within the Group.

Water withdrawal by source, in thousand m^3:

	Tissue paper		Sold heat		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Vokė river	558	554	20	17	337	466	11	9	926	1,045
Groundwater	-	-	-	-	-	-	1	2	1	2
Tap water	10	12	-	-	10	10	17	20	37	42
Celluloses	3	3	-	-	-	-	-	-	3	3
Timber	-	-	-	-	59	56	-	-	59	56
Curonian lagoon	-	-	-	-	-	-	731	784	731	784
Waste paper	2	2	-	-	-	-	12	11	14	13
Rain water	38	43	-	-	43	43	66	32	147	118
Total	**611**	**614**	**20**	**17**	**448**	**575**	**837**	**859**	**1,917**	**2,064**

Water discharge

Surface water we use needs to be filtered and treated before entering production cycle. In addition, water treatment and discharge to third party treatment facilities is expensive and high regulated. We are instantly improving the circularity of water within production cycle so that we can reuse water multiple times. The reuse rate varies depending on product specifications.

Water discharge and consumption, in thousand m^3:

	Tissue paper		Sold heat		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2022	2021	2022	2021	2022
Evaporation	96	74	12	12	68	66	76	95	252	248
Embedded in products	3	3	-	-	2	2	8	8	13	13
Untreated effluent to Klaipėdos vanduo AB treatment plant	-	-	-	-	-	-	672	711	672	711
Treated effluent to Vilniaus vandenys UAB treatment plant	475	494	8	5	324	451	9	7	816	956
Water embedded in sludge and waste	-	-	-	-	11	12	6	5	17	17
Rain water discharge	38	43	-	-	43	43	66	32	147	118
Total	**611**	**614**	**20**	**17**	**448**	**575**	**837**	**859**	**1 917**	**2 064**
Effluent, m^3 per ton of production	**10,6**	**10,1**	**-**	**-**	**5,1**	**6,7**	**6,3**	**6,1**	**6,8**	**7,1**

When calculating effluents per ton of production, the effluents for sold heat are excluded.

Water is essential

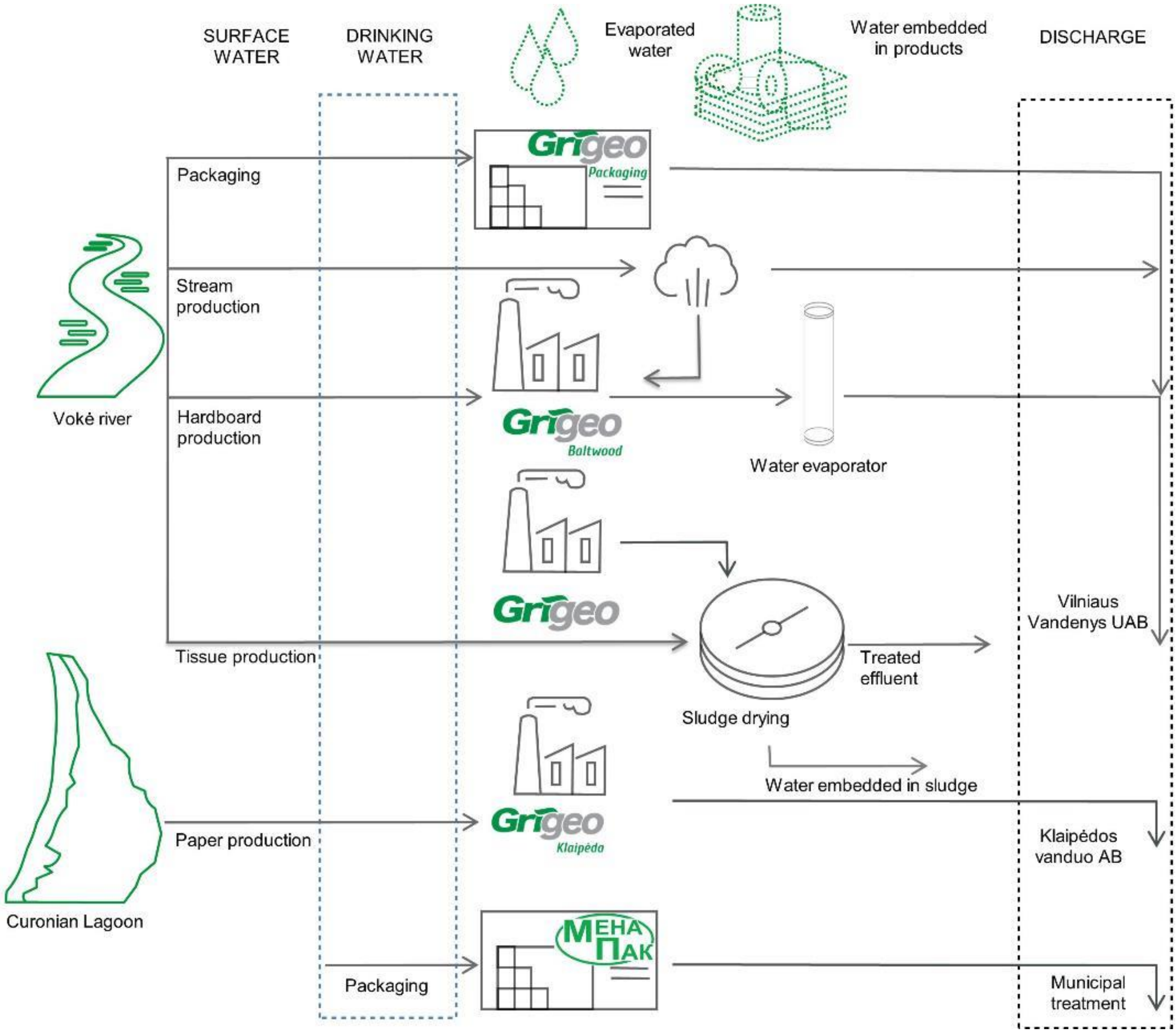
Production of tissue paper as well as containerboard and hardboard are highly dependent on water:

- Needed for pulping both waste paper and cellulose.
- Used for softening timber.
- Steam carries heat energy for production.
- Water embedded in final product holds fibre together.

GRI: 3-3 303-1 303-2 303-3 303-4 303-5

Water circulation

Water scheme of the Group:



Where is water

Water is used in both paper and fiberboard production lines. In the production of wood fiber boards - by extracting fiber from chopped wood in water, and in the production of paper - in the pulping process of pulp and waste paper.

Our factories use steam-heated and powered heating cylinders and presses. In order to produce a quality product, it is necessary to maintain the same temperature on the entire surface of the roll. Steam is a gas that fills the entire volume of a cylinder and distributes heat evenly as it condenses.

Anybody can monitor our water withdrawal and consumption data on our monitoring platforms:

GRIGEO AB MONITORING PLATFORM

GRIGEO KLAIPĖDA AB MONITORING PLATFORM

All amounts are in EUR thousands unless otherwise stated

7.9.5. Waste

In 2022, we processed 305 thousand tonnes of materials, our activities generated 28 thousand tonnes of waste, 61% of which were diverted from disposal. Our production process is unique in a way that most of the waste generated can be returned to the production cycle. In 2022, 22% of all waste was returned to production in the form of material within our Group.

The largest part of diverted to disposal waste consists of paper sorting waste from Grigeo Klaipėda AB (64%), which generates energy during incineration. We see the total volume of waste directed to disposal as one of the strategic challenges. Therefore, in 2022, we set a long-term goal to reduce the amount of waste directed to disposal (target indicators are provided in section 7.2).

Waste generated by composition in metric tonnes:

	2022			2021		
	Waste generated	Wasted diverted from disposal	Waste diverted to disposal	Waste generated	Wasted diverted from disposal	Waste diverted to disposal
Wood and paper recycling and its production process waste	16,733	9,103	7,630	18,927	9,608	9,319
Paper scraps and rejects	6,181	6,181	-	6,441	6,441	-
Thermal process waste	1,919	1,082	837	1,562	780	782
Demolition and construction waste	1,414	170	1,244	861	197	664
Other mechanical treatment waste	887	6	882	1,155	237	918
Packaging waste	491	466	25	552	522	29
Municipal waste	328	71	257	550	60	491
Paint and varnish waste	95	-	95	163	-	163
Oil products	24	21	2	6	4	2
Other	9	6	3	9	3	8
Total	**28,081**	**17,105**	**10,976**	**30,228**	**17,852**	**12,376**
Ratio, %	**100%**	**61%**	**39%**	**100%**	**59%**	**41%**
Kg per ton of production	**129.4**	**79.2**	**50.8**	**129.4**	**76.4**	**53.0**

It was possible to reduce the amount of waste directed to disposal per ton of production (from 53.0 kg/ton in 2021 to 50,8 kg/ton in 2022) thanks to Grigeo Klaipėda AB's improved work of waste paper handling facilities and raw material control processes. The more sustainable use of waste from the thermal processes of Grigeo Klaipėda AB – the ash produced in the biofuel boiler – also had a significant impact. From November 2022 the ash is not sent to the landfill but is composted by the waste manager and used to make another product (organic fertilizers and compost).

Waste diverted from disposal in metric tonnes:

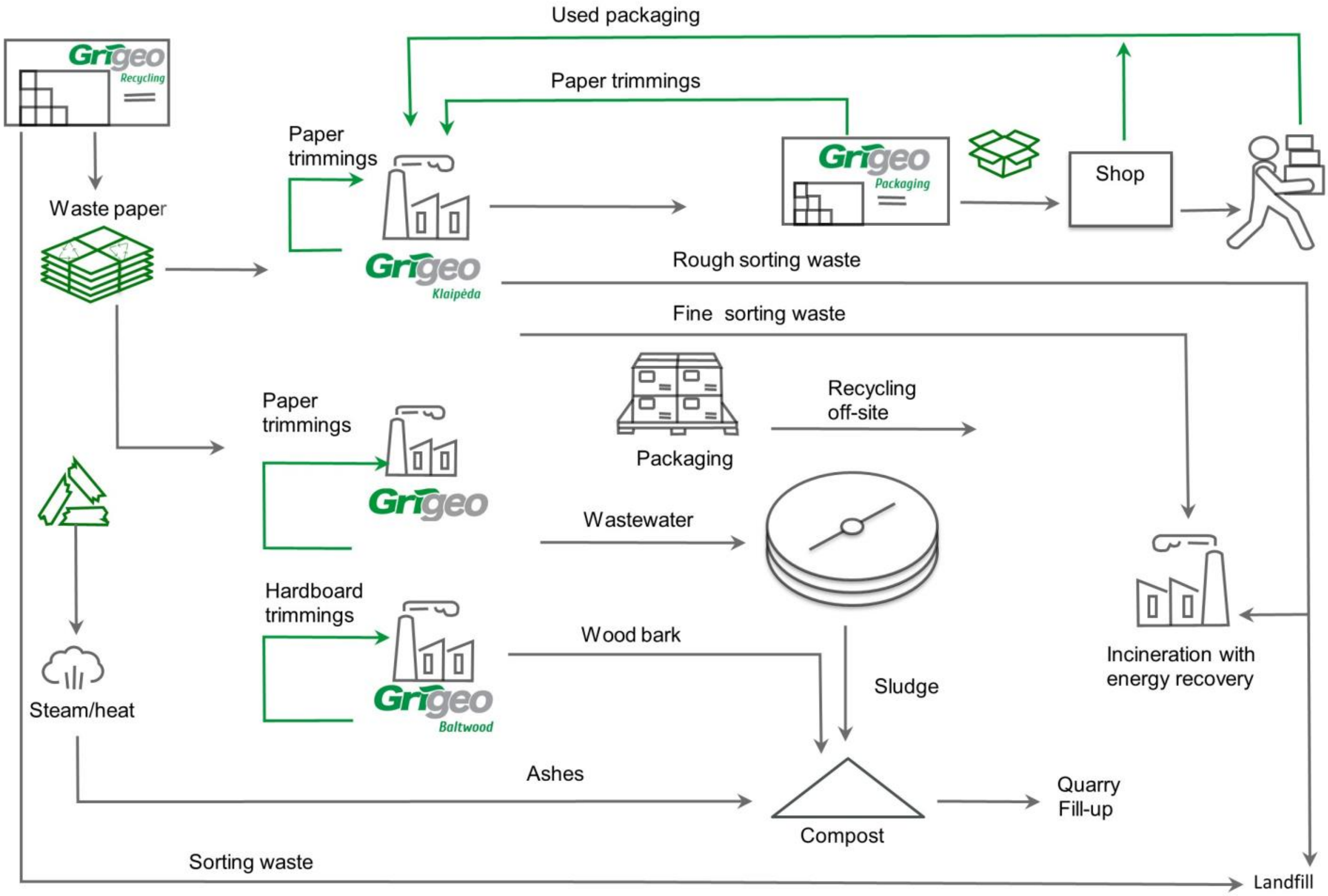
	On-site		Off-site		Total	
	2022	2021	2022	2021	2022	2021
Hazardous waste						
Preparation for reuse	-	-	2	-	2	-
Recycling	-	1	29	4	29	5
Other recover operations	-	-	-	-	-	-
Non-hazardous waste						
Preparation for reuse	-	-	-	-	-	-
Recycling	6,947	7,433	1,573	1,508	8,520	8,941
Other recover operations	-	-	8,823	8,908	8,823	9,808
Total	**6,947**	**7,434**	**10,158**	**10,419**	**17,105**	**17,852**

Waste directed to disposal, in metric tonnes:

	On-site		Off-site		Total	
	2022	2021	2022	2021	2022	2021
Hazardous waste						
Incineration (with energy recovery)	-	-	76	81	76	81
Incineration (without energy recovery)	-	-	-	-	-	-
Landfilling	-	-	-	-	-	-
Other disposal operations	**-**	**-**	**-**	**-**	**-**	**-**
Non-hazardous waste						
Incineration (with energy recovery)	-	-	7,218	8,650	7,218	8,650
Incineration (without energy recovery)	-	-	-	-	-	-
Landfilling	-	-	3,682	3,638	3,682	3,638
Other disposal operations	-	-	-	6	-	6
Total	**-**	**-**	**10,976**	**12,376**	**10,976**	**12,376**

GRI: 306-1 306-2 306-3 306-4 306-5

Waste scheme:



Key waste sources

We return all paper and fibreboard scraps and defective products to the production cycle.

Within our production sites, we can return all manufacturing scraps and defected batches back to the production cycle. In case of Grigeo Klaipėda AB, all waste comes in through the gate together with waste paper. To produce new containerboard, we must obtain usable fibre, so we need to sort out lose objects at first and separate embedded non-fibre materials, plastics, such as adhesive labels, polystyrene particles, and inorganic particles such as sand, gravel, etc. The result of these sorting steps is directed to Gren Klaipėda UAB for incineration with energy recovery.

We aim to constantly improve waste paper handling equipment and quality control processes of collected raw materials. Also, to improve the quality of collected paper waste, it is important for us to contribute to public education in the field of waste sorting. The high quality of raw materials ensures that what we collect for recycling is actually recyclable. In this way, we waste less resources, reduce waste and pollution and contribute to the circular economy.

Sludge treatment

Sludge is a naturally occurring organic matter that remains after mechanical and biological wastewater treatment. Like most waste, sludge must be disposed of properly.

Following 7 January 2020, all the wastewater generated by Grigeo Klaipėda AB was transferred to Klaipėdos vanduo AB for treatment under the agreement. All sludge formed in the wastewater treatment process is decomposed, dried, etc. by Klaipėdos vanduo AB and handed over to the waste manager. No sludge is generated in our treatment facility in Dumpiai.

In Grigiškės, we separate sludge (retired fibre which is too short to form a new product) from tissue production in the mechanic effluent treatment plant. All sludge generated during the wastewater treatment is drained in a decanter. We compost it ourselves at the installed biodegradable waste composting site. In 2022, Grigeo AB generated 8.3 thousand tonnes of sludge (in 2021 – 8.5 thousand tonnes).

7.9.6. Renewable materials

Nature of our materials in thousand metric tonnes:

	Tissue paper		Fibreboard		Containerboard and packaging		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Renewable materials								
Raw materials	-	-	112	136	-	-	112	136
Process materials	54	57	-	-	121	130	175	187
Semi-manufactured goods or parts,	-	-	-	-	-	-	-	-
Packaging and packaging materials	9	8	2	2	3	3	14	13
Total renewable	**63**	**65**	**114**	**139**	**123**	**132**	**300**	**337**
Non-renewable materials								
Raw materials	-	-	-	-	-	-	-	-
Process materials	-	-	-	-	-	-	-	-
Semi-manufactured goods or parts,	1	1	1	1	1	2	4	4
Packaging and packaging materials	1	1	-	-	-	-	1	1
Total non-renewable	**2**	**2**	**1**	**2**	**2**	**2**	**5**	**5**
Total materials used	**65**	**67**	**115**	**140**	**125**	**134**	**305**	**342**
Recycled materials (total)	**-**	**-**	**-**	**-**	**103**	**111**	**103**	**111**
Reclaimed products and their packaging materials	**25**	**25**	**-**	**-**	**109**	**117**	**133**	**142**
% Of renewables	**97%**	**97%**	**99%**	**99%**	**99%**	**99%**	**98%**	**98%**
% Of recycled materials	**-**	**-**	**-**	**-**	**83%**	**83%**	**34%**	**32%**
% Of reclaimed materials	**38%**	**38%**	**-**	**-**	**87%**	**87%**	**44%**	**42%**

Responsible sourcing

In 2022, we spent EUR 135.4m on raw materials and energy. Sourcing materials and energy accounts for 69% of total costs for the Group. As such, Sustainable and Responsible Sourcing is an integral part of our sustainability vision and strategy. All fibre produced and purchased is CoC (Chain of custody) certified under FSC®**.** The Forest Stewardship Council, an independent international certification organisation, promotes environmentally friendly, socially responsible, and economically viable management of the world's forests. We prioritise the FSC® certification system and encourage all suppliers to work toward certification.

2% of non-renewables

On the Group level, only 2% of all raw materials used were non-renewable.

All tissue paper and manufactured corrugated paper boxes come in some plastic packaging. This packaging makes a large proportion of non-renewable materials in our Group. We are cooperating closely with our packaging suppliers to reduce the total impact of non-renewable packaging. Now, all packaging used is recyclable.

Right mix of materials

Both new and recovered fibre are necessary to sustain an efficient supply chain. After several lifecycles of reuse and reprocessing, recovered fibre eventually begins to break down and is no longer suitable for use in paper and paperboard. Although this fibre can no longer be used in our products, it can be beneficially reused in many other ways, such as for energy or fertilizer. The ability to use recovered fibre would cease to exist if responsibly managed new fibres were not introduced to the fibre cycle. With high recovery rates and well-managed forests to source from, fibre-based products are among the most sustainable products in the world.

Composition materials used on a Group level:

	2022	2021
Waste paper	43%	41%
Wood	37%	40%
Cellulose	10%	9%
Renewable packaging	4%	4%
Other renewable materials	4%	4%
Non-renewable materials`	2%	2%
Total	**100%**	**100%**

7.10. Summary of key numbers

Input and output

Input	Units of measure	2022	2021
Renewable materials			
Wood	tonnes	49,528	49,195
Wood chips*	tonnes	62,301	87,061
Cellulose	tonnes	29,243	31,712
Waste paper	tonnes	131,557	138,704
Third party paper or containerboard**	tonnes	8,873	10,184
Starch all types	tonnes	4,675	6,058
Packaging	tonnes	13,714	13,082
Other organic raw materials	tonnes	144	580
Non-renewable materials			
Packaging materials	tonnes	1,201	1,187
Semi-manufactured goods or parts	tonnes	3,514	4,213
Energy			
Natural gas	thousand m^3	8,808	11,037
Wood chips	tne	28,720	29,517
Renewable electricity	GWh	93	128
Non-renewable electricity	GWh	24	1
LPG	tonnes	289	297
Diesel	tonnes	88	77
Petrol	tonnes	136	147
Water			
Surface water (total)	thousand m^3	1,657	1,829
Drinking water (total)	thousand m^3	38	44

*The quality of wood chips used as material in hardboard production is equivalent to chips for energy production.
**White containerboard and certain types of testliner are sourced by Grigeo Packaging UAB from the third parties based on demand of our clients.

Output	Units of measure	2022	2021
Production			
Tissue paper	tonnes	44,982	47,090
Containerboard	tonnes	97,091	102,255
Packaging	tonnes	36,056	48,188
Honeycomb	thousand m^2	3,452	4,218
Fibreboard	tonnes	63,491	67,755
Emissions to air			
CO_2 fossil Scope 1	tCO_2eq	22,845	27,627
CO_2 biogenic	tCO_2eq	156,048	166,735
SO_x from processes	tonnes	12.4	12.8
NO_x from processes	tonnes	248.0	226.9
Energy output			
Thermal energy to third party	MWh	33,046	32,217
Waste			
Hazardous waste	tonnes	114	86
Non-hazardous waste sent to landfill	tonnes	3,682	3,638
Non-hazardous waste recycled	tonnes	8,520	8,941
Non-hazardous waste other recovery operations	tonnes	8,553	8,908
Incineration of non-hazardous waste with energy recovery	tonnes	7,218	8,650
Composition of effluent			
Effluent	thousand m^3	1,488	1,667
BOD_7	tonnes	3,011.7	3,606.7
Suspended solids	tonnes	459.4	653.6
Nitrogen	tonnes	21.4	33.6
Phosphorus	tonnes	3.0	3.4

Employees by company and gender:

Company	2022			2021		
	Female	Male	Total	Female	Male	Total
Grigeo AB	70	210	280	69	201	270
Grigeo Klaipėda AB	41	122	163	43	125	168
Grigeo Baltwood UAB	40	97	137	39	98	137
Grigeo Packaging UAB	38	108	146	36	108	144
Mena Pak AT	18	66	84	17	69	86
Grigeo Recycling UAB	20	24	44	17	26	43
Grigeo Recycling UAB	1	10	11	1	12	13
Total	**228**	**637**	**865**	**222**	**639**	**861**
%	**26.4%**	**73.6%**	**100%**	**25.8%**	**742%**	**100%**

All amounts are in EUR thousands unless otherwise stated

7.11. GRI index

Disclosure		Page/comment	Disclosure		Page/comment
GRI 2: General Disclosures 2021			**GRI 201: Economic Performance 2016**		
1. The organization and its reporting practices			201-1	Direct economic value generated and distributed	7, 54, 56
2-1	Organizational details	5, 15, 16, 121	201-2	Financial implications and other risks and opportunities due to climate change	34, 37, 59
2-2	Entities included in the organization's sustainability reporting	15, 16, 27	201-3	Defined benefit plan obligations and other retirement plans	35, 119
2-3	Reporting period, frequency and contact point	27	201-4	Financial assistance received from government	7
2-4	Restatements of information	27	**GRI 202: Market Presence 2016**		
2-5	External assurance	27	202-1	Ratios of standard entry level wage by gender compared to local minimum wage[1]	55
2. Activities and workers			202-2	Proportion of senior management hired from the local community	Only local management
2-6	Activities, value chain and other business relationships	5, 7, 15, 43, 44, 45, 46, 47, 48, 60, 67, 68, 121	**GRI 203: Indirect Economic Impacts 2016**		
2-7	Employees	7, 12, 55, 56, 69	203-1	Infrastructure investments and services supported	37
2-8	Workers who are not employees[2]	No such workers	203-2	Significant indirect economic impacts	None
3. Governance			**GRI 204: Procurement Practices 2016**		
2-9	Governance structure and composition	19, 21, 22, 31	204-1	Proportion of spending on local suppliers	7
2-10	Nomination and selection of the highest governance body	20	**GRI 205: Anti-corruption 2016**		
2-11	Chair of the highest governance body	21, 22	205-1	Operations assessed for risks related to corruption	31, 32
2-12	Role of the highest governance body in overseeing the management of impacts	31, 38, 39, 40	205-2	Communication and training about anti-corruption policies and procedures	31, 32
2-13	Delegation of responsibility for managing impacts	19, 20, 23, 28, 31	205-3	Confirmed incidents of corruption and actions taken	No incidents
2-14	Role of the highest governance body in sustainability reporting	27, 28, 31, 40	**GRI 206: Anti-competitive Behaviour 2016**		
2-15	Conflicts of interest	22, 32	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No incidents
2-16	Communication of critical concerns	32	**GRI 207: Tax 2019**		
2-17	Collective knowledge of the highest governance body	21, 23, 28	207-1	Approach to tax	32, 33, 41
2-18	Evaluation of the performance of the highest governance body	Evaluation is not performed	207-2	Tax governance, control, and risk management	32, 33
2-19	Remuneration policies	24, 25, 26	207-3	Stakeholder engagement and management of concerns related to tax	32
2-20	Process to determine remuneration	24, 25, 26	207-4	Country-by-country reporting	33
2-21	Annual total compensation ratio	25, 54	**GRI 301: Materials 2016**		
4. Strategy, policies and practices			301-1	Materials used by weight or volume	7, 68, 69
2-22	Statement on sustainable development strategy	3	301-2	Recycled input materials used	7, 68, 69
2-23	Policy commitments	6, 28, 30, 31, 32	301-3	Reclaimed products and their packaging materials	7, 43, 46, 48, 68, 69
2-24	Embedding policy commitments	28, 29	**GRI 302: Energy 2016**		
2-25	Processes to remediate negative impacts	32, 36, 37	302-1	Energy consumption within the organization	7, 58, 69
2-26	Mechanisms for seeking advice and raising concerns	32	302-2	Energy consumption outside of the organization	34, 58, 62, 63
2-27	Compliance with laws and regulations	36	302-3	Energy intensity	58
2-28	Membership associations	7	302-4	Reduction of energy consumption	58
5. Stakeholder engagement			302-5	Reductions in energy requirements of products and services	58
2-29	Approach to stakeholder engagement	38, 39, 40, 41	**GRI 303: Water and Effluents 2018**		
2-30	Collective bargaining agreements	54	303-1	Interactions with water as a shared resource	7, 64, 65
GRI 3: Material topics 2021			303-2	Management of water discharge-related impacts	5, 35, 36, 37, 64, 65
3-1	Process to determine material topics	28, 38, 39, 40, 41	303-3	Water withdrawal	5, 7, 44, 64, 65, 69
3-2	List of material topics	28, 29, 30, 34, 35, 38, 39, 41, 42	303-4	Water discharge	34, 63, 64, 65, 69
3-3	Management of material topics	3, 29, 30, 36, 37, 38, 39, 42, 54, 57, 58, 59, 61, 63, 64, 65, 67, 68	303-5	Water consumption	64, 65

[1]When presenting this indicator, only the most significant activities at the Group level (all activities located in Lithuania) are included.
[2]There are no permanent employees of other organizations in the Group who would be under the control of the Group's employees.

All amounts are in EUR thousands unless otherwise stated

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GRI 304: Biodiversity 2016		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	36, 37
304-2	Significant impacts of activities, products and services on biodiversity	36, 37
304-3	Habitats protected or restored	36, 37
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	No such species identified
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	59, 60, 61, 69
305-2	Energy indirect (Scope 2) GHG emissions	7, 59, 60, 61
305-3	Other indirect (Scope 3) GHG emissions	59, 60, 61, 62
305-4	GHG emissions intensity	61
305-5	Reduction of GHG emissions	63
305-6	Emissions of ozone-depleting substances (ODS)	Not used in production
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	63, 69
GRI 306: Waste 2020		
306-1	Waste generation and significant waste-related impacts	66, 67
306-2	Management of significant waste-related impacts	66, 67
306-3	Waste generated	7, 66, 67, 69
306-4	Waste diverted from disposal	66, 67, 69
306-5	Waste directed to disposal	66, 67, 69
GRI 308: Supplier Environmental Assessment 2016		
308-1	New suppliers that were screened using environmental criteria[2]	Formal evaluation was not performed[2]
308-2	Negative environmental impacts in the supply chain and actions taken[2]	Formal evaluation was not performed[2]
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	55, 56
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Same benefits to all employees
401-3	Parental leave	56
GRI 402: Labour/Management Relations 2016		
402-1	Minimum notice periods regarding operational changes	Notice periods are not defined.
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	53
403-2	Hazard identification, risk assessment, and incident investigation	52
403-3	Occupational health services	53
403-4	Worker participation, consultation, and communication on occupational health and safety	
403-5	Worker training on occupational health and safety	51, 52
403-6	Promotion of worker health	54
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	53
403-8	Workers covered by an occupational health and safety management system	52, 53
403-9	Work-related injuries	52
403-10	Work-related ill health	No incidents
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	50, 51
404-2	Programs for upgrading employee skills and transition assistance programs	50, 51
404-3	Percentage of employees receiving regular performance and career development reviews	49
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	21
405-2	Ratio of basic salary and remuneration of women to men[1]	55
GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	No incidents
GRI 407: Freedom of Association and Collective Bargaining 2016		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk[2]	Formal evaluation was not performed[2]
GRI 408: Child Labour 2016		
408-1	Operations and suppliers at significant risk for incidents of child labour[2]	Formal evaluation was not performed[2]
GRI 409: Forced or Compulsory Labour 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour[2]	Formal evaluation was not performed[2]
GRI 410: Security Practices 2016		
410-1	Security personnel trained in human rights policies or procedures	31
GRI 411: Rights of Indigenous Peoples 2016		
411-1	Incidents of violations involving rights of indigenous peoples	Not applicable
GRI 413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programs	57
413-2	Operations with significant actual and potential negative impacts on local communities	57
GRI 414: Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	Formal evaluation was not performed[2]
414-2	Negative social impacts in the supply chain and actions taken[2]	Formal evaluation was not performed[2]
GRI 415: Public Policy 2016		
415-1	Political contributions	No political contributions
GRI 416: Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	No direct impacts
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No legal requirements
GRI 417: Marketing and Labelling 2016		
417-1	Requirements for product and service information and labelling	No legal requirements
417-2	Incidents of non-compliance concerning product and service information and labelling	No legal requirements
417-3	Incidents of non-compliance concerning marketing communications	No legal requirements
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Personal data is not collected

[1]When presenting this indicator, only the most significant activities at the Group level (all activities located in Lithuania) are included.

[2]Formal evaluation has not been carried out in the Group until now. Suppliers of the Group's main raw materials must have an FSC® production chain certificate, which partially ensures the compliance of these suppliers with the governance, environmental and social sustainability standards. In 2023 the Group plans to introduce the guidelines for supplier environmental and social assessment and expand the scope of supplier evaluation.

All amounts are in EUR thousands unless otherwise stated

7.12. Taxonomy disclosures

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities:

				Substantial contribution criteria						DNSH criteria									
Economic activities (1)	Codes (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022 (18)	Taxonomy-aligned proportion of turnover, year 2021 (19)	Category (enabling activity / transitional activity) (20)
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E/T
A. ELIGIBLE ACTIVITIES																			
A.1. Eligible Taxonomy-aligned activities																			
None																			
Turnover of eligible Taxonomy- aligned activities (A.1)		-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%	0.0%	
A.2 Eligible not Taxonomy-aligned activities																			
Production of heat from gas	D35.3.0	261	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	Y	Y	Y	Y	0.0%	0.0%	
Production of heat from bioenergy	D35.3.0	1,580	0.8%	100%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	Y	N	Y	Y	0.0%	0.0%	
Turnover of eligible not Taxonomy-aligned activities (A.2)		1,841	0.9%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%	0.0%	
Total (A.1 + A.2)		1,841	0.9%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%	0.0%	
B. NON-ELIGIBLE ACTIVITIES																			
Turnover of non-eligible activities (B)		201 368	99,1%																
Total (A + B)		203 209	100%																

Specification of disclosures:

- The Group uses heat from gas and bioenergy in its production processes. Part of heat is sold externally. Accordingly, external turnover was allocated to the numerator when calculating proportion of turnover.
- Production of heat from gas and production of heat from bioenergy are Taxonomy eligible activities as they might significantly contribute to climate change mitigation.
- The Group's production of heat from gas is above 100 g CO_2e/kWh threshold, and therefore does not meet technical screening criteria of climate change mitigation. However, it still does not significantly harm (DNSH) the environmental objective of climate change mitigation.
- Heat from bioenergy does not pass the DNSH criteria for pollution as defined in Directive (EU) 2015/2193 on the limitation of emissions of certain pollutants into the air from medium combustion plants. The actual dust emissions, which are in line with current legislation, do not meet the emission limit values of mentioned Directive. The Group plans additional investments and will meet the requirements of Directive by 31 December 2024.

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All amounts are in EUR thousands unless otherwise stated

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities:

				Substantial contribution criteria						DNSH criteria									
Economic activities (1)	Codes (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year 2022 (18)	Taxonomy-aligned proportion of CapEx, year 2021 (19)	Category (enabling activity / transitional activity) (20)
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E/T
A. ELIGIBLE ACTIVITIES																			
A.1. Eligible Taxonomy-aligned activities																			
None																			
CapEx of eligible Taxonomy- aligned activities (A.1)		**-**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0.0%**	**0.0%**	
A.2 Eligible not Taxonomy-aligned activities																			
Production of heat from gas	D35.3.0	-	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	Y	Y	Y	Y	Y	Y	Y	**0.0%**	**0.0%**	
Production of heat from bioenergy	D35.3.0	6	**0.1%**	**100%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	Y	Y	Y	Y	N	Y	Y	**0.0%**	**0.0%**	
CapEx of eligible not Taxonomy-aligned activities (A.2)		**6**	**0.1%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0.0%**	**0.0%**	
Total (A.1 + A.2)		**6**	**0.1%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0.0%**	**0.0%**	
B. NON-ELIGIBLE ACTIVITIES																			
CapEx of non-eligible activities (B)		**8,975**	**99.9%**																
Total (A + B)		**8,981**	**100%**																

Specification of disclosures:

- The Group uses heat from gas and bioenergy in its production processes. All CapEx directly related to heat production facilities was allocated to the numerator when calculating proportion of CapEx.
- Production of heat from gas and production of heat from bioenergy are Taxonomy eligible activities as they might significantly contribute to climate change mitigation.
- The Group's production of heat from gas is above 100 g CO_2e/kWh threshold, and therefore does not meet technical screening criteria of climate change mitigation. However, it still does not significantly harm (DNSH) the environmental objective of climate change mitigation.
- Heat from bioenergy does not pass the DNSH criteria for pollution as defined in Directive (EU) 2015/2193 on the limitation of emissions of certain pollutants into the air from medium combustion plants. The actual dust emissions, which are in line with current legislation, do not meet the emission limit values of mentioned Directive. The Group plans additional investments and will meet the requirements of Directive by 31 December 2024.

All amounts are in EUR thousands unless otherwise stated

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities:

				Substantial contribution criteria						DNSH criteria									
Economic activities (1)	**Codes (2)**	**Absolute OpEx (3)**	**Proportion of OpEx (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of OpEx, year 2022 (18)**	**Taxonomy-aligned proportion of OpEx, year 2021 (19)**	**Category (enabling activity / transitional activity) (20)**
		EUR	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Percent**	**Percent**	**E/T**
A. ELIGIBLE ACTIVITIES																			
A.1. Eligible Taxonomy-aligned activities																			
None																			
OpEx of eligible Taxonomy- aligned activities (A.1)		**-**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0.0%**	**0.0%**	
A.2 Eligible not Taxonomy-aligned activities																			
Production of heat from gas	D35.3.0	-	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	Y	Y	Y	Y	Y	Y	Y	**0.0%**	**0.0%**	
Production of heat from bioenergy	D35.3.0	24	**1.0%**	**100%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	Y	Y	Y	Y	N	Y	Y	**0.0%**	**0.0%**	
OpEx of eligible not Taxonomy-aligned activities (A.2)		**24**	**1.0%**	**1.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0.0%**	**0.0%**	
Total (A.1 + A.2)		**24**	**1.0%**	**1.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0.0%**	**0.0%**	
B. NON-ELIGIBLE ACTIVITIES																			
OpEx of non-eligible activities (B)		**2,378**	**99.0%**																
Total (A + B)		**2,402**	**100%**																

Specification of disclosures:

- The Group uses heat from gas and bioenergy in its production processes. All OpEx directly related to the day-to-day servicing of heat production facilities and OpEx that are necessary to ensure the continued and effective functioning of them were allocated to the numerator when calculating proportion of OpEx.
- Production of heat from gas and production of heat from bioenergy are Taxonomy eligible activities as they might significantly contribute to climate change mitigation.
- The Group's production of heat from gas is above 100 g CO_2e/kWh threshold, and therefore does not meet technical screening criteria of climate change mitigation. However, it still does not significantly harm (DNSH) the environmental objective of climate change mitigation.
- Heat from bioenergy does not pass the DNSH criteria for pollution as defined in Directive (EU) 2015/2193 on the limitation of emissions of certain pollutants into the air from medium combustion plants. The actual dust emissions, which are in line with current legislation, do not meet the emission limit values of mentioned Directive. The Group plans additional investments and will meet the requirements of Directive by 31 December 2024.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

All amounts are in EUR thousands unless otherwise stated

STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
ASSETS					
Non-current assets					
Property, plant and equipment	5	71,194	71,564	27,015	29,020
Right-of-use assets	6	4,277	3,969	1,295	1,534
Intangible assets	7	3,764	3,513	380	374
Investment property	8	4,410	4,417	4,431	4,417
Investments in subsidiaries	1	-	-	23,126	23,051
Other amounts receivable	10	3	3	-	-
Deferred income tax assets	25	-	-	-	123
Total non-current assets		**83,648**	**83,466**	**56,247**	**58,519**
Current assets					
Inventories	9	19,963	14,428	9,985	4,796
Trade and other amounts receivable	10	23,904	22,340	15,609	10,515
Prepaid income tax		97	128	-	159
Other current assets		348	320	169	127
Cash and cash equivalents	11	14,840	12,443	7,544	818
Total current assets		**59,152**	**49,659**	**33,307**	**16,415**
TOTAL ASSETS		**142,800**	**133,125**	**89,554**	**74,934**

(Cont'd on the next page)

All amounts are in EUR thousands unless otherwise stated

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Notes	Group		Company	
		At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
EQUITY AND LIABILITIES					
Equity					
Authorised share capital	12	38,106	38,106	38,106	38,106
Share premium	12	1,119	1,119	1,119	1,119
Legal reserve	12	2,066	1,905	2,066	1,905
Reserve for granting own shares	12	500	-	500	-
Foreign currency translation reserve	12	(2,697)	(2,161)	-	-
Retained earnings	12	57,950	54,607	24,582	15,259
Equity attributable to shareholders of the Company		**97,044**	**93,576**	**66,373**	**56,389**
Non-controlling interest		809	713	-	-
Total equity		**97,853**	**94,289**	**66,373**	**56,389**
Liabilities					
Non-current liabilities					
Borrowings	13	4,644	864	1,868	175
Lease liabilities	14	3,477	3,177	1,017	1,259
Grants	15	783	939	678	811
Deferred income tax liability	25	903	579	442	-
Long-term employee benefits	16	248	173	103	71
Other amounts payable		281	282	-	-
Total non-current liabilities		**10,336**	**6,014**	**4,108**	**2,316**
Current liabilities					
Borrowings	13	2,363	2,094	989	1,380
Lease liabilities	14	408	360	331	320
Income tax payable		-	-	204	-
Trade and other amounts payable	17	31,840	30,368	17,549	14,529
Total current liabilities		**34,611**	**32,822**	**19,073**	**16,229**
Total liabilities		**44,947**	**38,836**	**23,181**	**18,545**
TOTAL EQUITY AND LIABILITIES		**142,800**	**133,125**	**89,554**	**74,934**

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

The financial statements were prepared by the management on 29 March 2023 and signed with a qualified electronic signature on its behalf by:

Gintautas Pangonis
President

Martynas Nenėnas
Finance Director

All amounts are in EUR thousands unless otherwise stated

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group		Company	
		2022	**2021**	**2022**	**2021**
Revenue	18	203,209	163,215	90,457	67,591
Cost of sales	19	(172,364)	(129,657)	(79,594)	(58,532)
Gross profit		**30,845**	**33,558**	**10,863**	**9,059**
Selling and distribution expenses	20	(14,846)	(12,179)	(5,497)	(4,995)
Administrative expenses	21	(9,379)	(8,134)	(3,813)	(3,076)
Other income	22	636	423	11,949	1,937
Other gains/(losses) – net	23	4,860	193	3,819	36
Operating profit		**12,116**	**13,861**	**17,321**	**2,961**
Finance income	24	22	34	3	4
Finance costs	24	(459)	(260)	(165)	(93)
Finance income/(costs) – net		**(437)**	**(226)**	**(162)**	**(89)**
Profit before income tax		**11,679**	**13,635**	**17,159**	**2,872**
Income tax	25	(1,058)	(1,250)	(770)	344
PROFIT FOR THE PERIOD		**10,621**	**12,385**	**16,389**	**3,216**
Profit for the period is attributable to:					
Shareholders of the Company		10,525	12,266	16,389	3,216
Non-controlling interest		96	119	-	-
Other comprehensive income/(expenses)					
Items that will not be reclassified subsequently to profit or loss		**-**	**-**	**-**	**-**
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(536)	246	-	-
Cash flow hedges – effective portion of changes in fair value		-	(11)	-	4
Total items that may be reclassified subsequently to profit or loss		**(536)**	**235**	**-**	**4**
Other comprehensive income/(expenses) for the period		**(536)**	**235**	**-**	**4**
Total comprehensive income for the period		**10,085**	**12,620**	**16,389**	**3,220**
Total comprehensive income for the period is attributable to:					
Shareholders of the Company		9,989	12,501	16,389	3,220
Non-controlling interest		96	119	-	-
Basic earnings per share (in EUR)	26	0.080	0.093	0.125	0.024
Diluted earnings per share (in EUR)	26	0.080	0.093	0.124	0.024

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

Gintautas Pangonis
President

Martynas Nenėnas
Finance Director

All amounts are in EUR thousands unless otherwise stated

STATEMENTS OF CHANGES IN EQUITY

Group	Equity attributable to owners of the Company								Non-controlling interest	Total equity
	Share capital	Share premium	Legal reserve	Hedging reserve	Reserve for granting shares	Foreign currency translation reserve	Retained earnings	Total		
At 1 January 2021	**19,053**	**1,119**	**1,905**	**11**	**-**	**(2,407)**	**69,278**	**88,959**	**596**	**89,555**
Profit for the period	-	-	-	-	-	-	12,266	12,266	119	12,385
Other comprehensive income/(expenses)	-	-	-	(11)	-	246	-	235	-	235
Total comprehensive income/(expenses)	**-**	**-**	**-**	**(11)**	**-**	**246**	**12,266**	**12,501**	**119**	**12,620**
Allocated dividends	-	-	-	-	-	-	(7,884)	(7,884)	-	(7,884)
Share capital increase	19,053	-	-	-	-	-	(19,053)	-	-	-
Transactions with the Company's shareholders	**19,053**	**-**	**-**	**-**	**-**	**-**	**(26,937)**	**(7,884)**	**-**	**(7,884)**
Change in non-controlling interest	-	-	-	-	-	-	-	-	(2)	(2)
Transactions with non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
At 31 December 2021	**38,106**	**1,119**	**1,905**	**-**	**-**	**(2,161)**	**54,607**	**93,576**	**713**	**94,289**
At 1 January 2022	**38,106**	**1,119**	**1,905**	**-**	**-**	**(2,161)**	**54,607**	**93,576**	**713**	**94,289**
Profit for the period	-	-	-	-	-	-	10,525	10,525	96	10,621
Other comprehensive income/(expenses)	-	-	-	-	-	(536)	-	(536)	-	(536)
Total comprehensive income/(expenses)	**-**	**-**	**-**	**-**	**-**	**(536)**	**10,525**	**9,989**	**96**	**10,085**
Reserve for granting own shares	-	-	-	-	500	-	(500)	-	-	-
Increase in legal reserve	-	-	161	-	-	-	(161)	-	-	-
Allocated dividends	-	-	-	-	-	-	(6,686)	(6,686)	-	(6,686)
Share-based remuneration	-	-	-	-	-	-	165	165	-	165
Transactions with the Company's shareholders	**-**	**-**	**161**	**-**	**500**	**-**	**(7,182)**	**(6,521)**	**-**	**(6,521)**
At 31 December 2022	**38,106**	**1,119**	**2,066**	**-**	**500**	**(2,697)**	**57,950**	**97,044**	**809**	**97,853**

All amounts are in EUR thousands unless otherwise stated

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Company	Share capital	Share premium	Legal reserve	Reserve for granting shares	Hedging reserve	Retained earnings	Total equity
At 1 January 2021	**19,053**	**1,119**	**1,905**	**-**	**(4)**	**38,980**	**61,053**
Profit for the period	-	-	-	-	-	3,216	3,216
Other comprehensive income	-	-	-	-	4	-	4
Total comprehensive income	**-**	**-**	**-**	**-**	**4**	**3,216**	**3,220**
Allocated dividends	-	-	-	-	-	(7,884)	(7,884)
Share capital increase	19,053	-	-	-	-	(19,053)	-
Transactions with the Company's shareholders	**19,053**	**-**	**-**	**-**	**-**	**(26,937)**	**(7,884)**
At 31 December 2021	**38,106**	**1,119**	**1,905**	**-**	**-**	**15,259**	**56,389**
At 1 January 2022	**38,106**	**1,119**	**1,905**	**-**	**-**	**15,259**	**56,389**
Profit for the period	-	-	-	-	-	16,389	16,389
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**16,389**	**16,389**
Allocated dividends	-	-	-	-	-	(6,570)	(6,570)
Increase in legal reserve	-	-	161	-	-	(161)	-
Reserve for granting own shares	-	-	-	500	-	(500)	-
Share-based remuneration	-	-	-	-	-	165	165
Transactions with the Company's shareholders	-	-	**161**	**500**	**-**	**(7,066)**	**(6,405)**
At 31 December 2022	**38,106**	**1,119**	**2,066**	**500**	**-**	**24,582**	**66,373**

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

Gintautas Pangonis
President

Martynas Nenėnas
Finance Director

All amounts are in EUR thousands unless otherwise stated

STATEMENTS OF CASH FLOWS

	Notes	Group		Company	
		2022	2021	2022	2021
Cash flows from operating activities					
Profit before income tax		11,679	13,635	17,159	2,872
Adjustments for non-cash items:					
Depreciation and amortisation		9,241	9,865	4,114	4,480
Dividends received		-	-	(11,300)	(1,500)
Interest expenses on borrowings and lease	24	244	194	111	91
Other finance (income)/costs – net	24	193	31	51	(2)
Gain on disposal of property, plant and equipment		(124)	(112)	(171)	(29)
Share-based remuneration		90	-	90	-
		21,323	**23,613**	**10,054**	**5,912**
Changes in working capital					
(Increase)/decrease in inventories		(5,543)	(7,213)	(5,197)	(3,149)
(Increase)/decrease in trade and other amounts receivable		(1,906)	(5,280)	(3,893)	(785)
(Increase)/decrease in other assets		(93)	(38)	(44)	39
Increase/(decrease) in trade and other amounts payable		759	11,340	3,313	4,276
		(6,783)	**(1,191)**	**(5,821)**	**381**
Interest paid		(221)	(202)	(101)	(93)
Income tax paid		(296)	(835)	-	(334)
Net cash inflow from operating activities		**14,023**	**21,385**	**4,132**	**5,866**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets	5, 7	(8,762)	(12,438)	(2,046)	(5,567)
Acquisition of investment property	8	(275)	(2,122)	(274)	(2,122)
Disposal of property, plant and equipment		232	189	183	29
Acquisition of non-controlling interest	1	-	(2)	-	-
Loans granted to subsidiaries		-	-	(1,200)	-
Dividends received	22	-	-	11,300	1,500
Net cash inflow/(outflow) from investing activities		**(8,805)**	**(14,373)**	**7,963**	**(6,160)**
Cash flows from financing activities					
Dividends paid		(6,436)	(7,726)	(6,345)	(7,723)
Repayments of borrowings		(2,197)	(6,403)	(1,298)	(2,281)
Proceeds from borrowings		6,246	1,731	2,600	1,000
Lease payments		(434)	(446)	(326)	(337)
Net cash (outflow) from financing activities		**(2,821)**	**(12,844)**	**(5,369)**	**(9,341)**
Net increase/(decrease) in cash flows		**2,397**	**(5,832)**	**6,726**	**(9,635)**
Cash and cash equivalents at the beginning of the period		**12,443**	**18,275**	**818**	**10,453**
Cash and cash equivalents at the end of the period		**14,840**	**12,443**	**7,544**	**818**

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

Gintautas Pangonis
President

Martynas Nenėnas
Finance Director

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in EUR thousands unless otherwise stated

1. General information

Grigeo AB (hereinafter the "Company") is a public limited liability company registered in the Republic of Lithuania on 23 May 1991. The Company is engaged in the production of toilet paper, paper towels and paper napkins. The paper mill in Grigiškės was established in 1923.

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

The Company's shares are listed on the Baltic Main List of Nasdaq AB Vilnius Stock Exchange (ISIN code of shares is LT0000102030). The trading code of shares on Nasdaq AB Vilnius stock exchange is GRG1L.

Based on the decision of the Ordinary General Meeting of the Shareholders of the Company that was held on 30 April 2021, the Company's authorised share capital was increased on 19 May 2021 out of the Company's retained earnings from EUR 19,053 thousand to EUR 38,106 thousand by issuing 65,700,000 ordinary registered shares with a nominal value of EUR 0.29.

After the authorised share capital increase and as at 31 December 2021 and 31 of December 2022, the Company's authorised share capital was divided into 131,400,000 ordinary registered shares with a nominal value of EUR 0.29 each. All shares were fully paid.

Three major shareholders as at 31 December 2022 and 2021 are listed below:

	At 31 December 2022		At 31 December 2021	
	Number of shares	%	Number of shares	%
Ginvildos Investicija UAB	60,809,151	46.28	60,809,151	46.28
Mišeikienė Irena Ona	17,578,342	13.38	17,168,342	13.07
Norimantas Stankevičius	5,869,756	4.47	5,807,256	4.42
TOTAL	**84,257,249**	**64.12**	**83,784,749**	**63.76**

As at 31 December 2022, the number of the Group's employees was 865 (31 December 2021: 861). As at 31 December 2022, the number of the Company's employees was 280 (31 December 2021: 270).

The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of the financial statements.

Structure of the Group

As at 31 December 2022 and 2021, the Grigeo group consisted of Grigeo AB and the following subsidiaries (hereinafter the "Group"):

	At 31 December 2022		At 31 December 2021			
	Ownership interest held by the Group	Amount (cost) of investment	Ownership interest held by the Group	Amount (cost) of investment	Address	Principal activities Date of acquisition (establishment)
	Subsidiaries directly controlled by the Company:					
Grigeo Baltwood UAB	100%	2,555	100%	2,555	Vilniaus g. 10, Grigiškės, Vilniaus sav., Lithuania	Manufacturing of wood fibreboards. 10 April 2003
Grigeo Recycling UAB	100%	1,066	100%	1,066	Vilniaus g. 10, Grigiškės, Vilniaus sav., Lithuania	Collection of secondary raw materials and preparation for recycling. 16 July 2010
Naujieji Verkiai UAB	100%	-	100%	-	Popieriaus g. 15, Vilnius, Lithuania	Building and development of real estate. The company was dormant in 2022 and 2021. 6 April 2004
Grigeo Investicijų Valdymas UAB	100%	19,427	100%	19,427	Vilniaus g. 10, Grigiškės, Vilniaus sav., Lithuania	Investment activities and corporate governance. 1 March 2010
Grigiškių Energija UAB	100%	3	100%	3	Vilniaus g. 10, Grigiškės, Vilniaus sav., Lithuania	Heat production and sale. The company was dormant in 2022 and 2021. 7 October 2011
	Share-based option to employees of subsidiaries (Note 12)					
Share-based option		75		-		
Total		**23,126**		**23,051**		

All amounts are in EUR thousands unless otherwise stated

1. General information (continued)

	At 31 December 2022		At 31 December 2021			
	Ownership interest held by the Group	Amount (cost) of investment	Ownership interest held by the Group	Amount (cost) of investment	Address	Principal activities Date of acquisition (establishment)
Subsidiaries indirectly controlled by the Company:						
Grigeo Klaipėda AB*	97.68%	-	97.68%	-	Nemuno g. 2, Klaipėda, Lithuania	Production of cardboard and cardboard paper honeycomb. 1 March 2010
Grigeo Packaging UAB*	100%	-	100%	-	Vilniaus g. 10, Grigiškės, Vilniaus sav., Lithuania	Manufacturing of corrugated cardboard and packaging. 10 April 2009
Mena Pak AT**	100%	-	100%	-	Koševovo g. 6, Černigovo raj., Mena, Ukraine	Manufacturing of corrugated cardboard and packaging. 1 March 2010
Grigeo Recycling SIA***	100%	-	100%	-	Ēdoles iela 5, Riga, Latvia	Collection of secondary raw materials and preparation for recycling. 16 June 2016

*Controlled by Grigeo Investicijų Valdymas UAB; **Controlled by Grigeo Klaipėda AB; ***Controlled by Grigeo Recycling UAB.

The non-controlling interest consists of 2.32% of shares of Grigeo Klaipėda AB, which are not owned by the Company's shareholders. On 18 November 2021, Grigeo Investicijų Valdymas UAB redeemed 0.01% of shares of subsidiary Grigeo Klaipėda AB from the minority shareholders.

There were no significant changes in 2022 and 2021.

Climate change-related matters

The management of the Group recognises the importance of analysis in disclosing climate-related risks and their significance to the financial statements. In 2021, the management of the Group decided to start with a qualitative analysis to help explore a possible range of effects of climate change. In 2022, the Group continued its analysis and used the reporting principles of the Climate-Related Financial Disclosure Working Group (TCFD) to analyse the potential impacts of climate change.

Based on the Group management's analysis, the direct risk of climate change in the Group's operations is insignificant, but the indirect risk related to the transition to more environmentally friendly technological solutions in the long term may affect the Group's financial performance due to additional investments for the acquisition of new equipment or upgrade of existing one.

During the transition period, the management will additionally assess the projected cash flows due to the amount and timing of potential investments, as well as assess the risks of impairment of existing non-current assets and review the useful lives of renewed or newly acquired assets.

For the current and previous reporting years, such potential risks and their impact on the significant accounting estimates and assumptions used in the preparation of the financial statements were assessed as not significant. The qualitative analysis is continued by including the climate change risk assessment in the periodic review and updates of the assumptions used by management.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These principles were applied consistently for the reported periods unless stated otherwise (adoption of new and/or amended standards).

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) effective at 31 December 2022. All references to IFRS used below are references to IFRS approved by the EU.

These financial statements of the Group and the Company have been prepared on a historical cost basis, except of financial instruments used for hedging that are accounted for at fair value.

These financial statements of the Group and the Company for the year ended 31 December 2022 have been prepared under the assumption that the Group and the Company will continue as a going concern.

All amounts in these financial statements of the Group and the Company are presented in the euros. Amounts are rounded to the nearest thousand (EUR thousands), unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the management to make judgements, assumptions and estimates that are related to the application of the Group's and the Company's accounting policies. Estimates and judgements are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Amendments to standards and their interpretations

Adoption of new and/or amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

a) The following IFRSs, amendments thereto were adopted by the Company for the first time in the financial year ended 31 December 2022:

Covid-19-related rent concessions – Amendments to IFRS 16

The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. An amendment extended the date of the practical expedient to 30 June 2022. Based on the Company's estimate, these amendments had no significant impact on the Company's financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity has to use IAS 2 to measure the cost of those items.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements.

2. Summary of significant accounting policies (continued)

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed.

Based on the Company's estimate, these amendments had no significant impact on the Company's financial statements.

b) Standards, interpretations and amendments thereto that are not yet effective and have not been early adopted by the Company

Disclosure of Accounting policies – amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Definition of Accounting Estimates – amendments to IAS 8

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Based on the Company's estimate, these amendments will have no significant impact on the Company's financial statements.

c) Standards, interpretations and amendments that have not been adopted by the European Union and that have not been early adopted by the Group and the Company:

- IFRS 14 *Regulatory deferral accounts*
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28
- Classification of liabilities as current or non-current – Amendments to IAS 1

The Company is currently assessing the impact of these amendments on the Company's financial statements.

There are no other new standards, amendments to the existing standards or interpretations that are not yet effective and that could have a material impact on the Company.

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation

The Group's consolidated financial statements include Grigeo AB and its subsidiaries.

Subsidiaries

Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The control of an entity is normally evidenced when the Company owns more than 50% of the shares granting voting rights. Subsidiaries are consolidated from the date on which effective control is transferred to the Company or the Group, and they are no longer consolidated from the date on which control is transferred out of the Group.

Inter-company transactions

The financial statements of the subsidiaries are prepared for the same reporting year using consistent accounting policies. All inter-company transactions, balances and unrealised gains or losses and dividends on transactions between the Group companies are fully eliminated.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance of the non-controlling interest. A change in the ownership interest of a subsidiary that does not result in 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 foreign exchange differences, recorded in equity;
- Recognises the consideration received at fair value;
- Recognises any investment retained at fair value;
- Recognises any surplus or deficit in the statement of comprehensive income;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the statement of comprehensive income or retained earnings, as appropriate.

Business combinations and accounting for goodwill

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

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date in the statement of comprehensive income. Any contingent consideration to be transferred by the acquirer is 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 IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes 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 synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity 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.

2. Summary of significant accounting policies (continued)

Split of companies

When a company is split by way of a spin-off or split-off, its assets and liabilities are transferred to newly established or other operating companies, and a decrease in assets, liabilities and equity is registered in the accounting of the split company.

The difference in value of assets and liabilities of the spin-off or split-off companies provided in the conditions of the split determines the equity amount of the newly established or operating companies, and in their accounting equity is registered in the account of the authorised share capital and other equity accounts as at the date of reception and transfer according to the conditions of the split. If the conditions of the split do not provide in which equity accounts the difference in value of assets and liabilities should be registered, it is registered in the account of the formed share capital and share premium or the account of retained earnings (loss).

2.4 Presentation currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). All amounts in the financial statements are presented in the euros, which is the Group's and the Company's functional and presentation currency.

The functional currency of the Company and its subsidiaries operating in Lithuania is the euro. The functional currencies of foreign subsidiaries are the respective currencies of the foreign countries in which their registered offices are based. The amounts in the financial statements of these subsidiaries are presented in their functional currencies.

Assets and liabilities of the foreign subsidiaries are translated into euros at the reporting date using the exchange rate prevailing at the date of the statement of financial position, whereas the statements of comprehensive income of the foreign subsidiaries are translated using the weighted average exchange rate for the year. Exchange differences arising on translation are recognised in other comprehensive income.

On disposal of a foreign subsidiary, the result of foreign currency translation accumulated in other comprehensive income is reclassified to the statement of comprehensive income.

Transactions and balances

Foreign currency transactions are initially measured using the functional currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the date of the statement of financial position using the exchange rate prevailing at the date of the statement of financial position. All non-monetary items that are measured at amortised cost are translated using the exchange rates at the date of the transactions.

2.5 Investments in subsidiaries (the Company)

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

2.6 Discontinued operations

A discontinued operation is a component of the Group's or the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and the Company and which:

- represents a separate major line of business or geographical area of operation;
- is part of a single co-ordinated plan to dispose of a separate major line of business or major geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

2.7 Intangible assets (other than goodwill)

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

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

All amounts are in EUR thousands unless otherwise stated

2. Summary of significant accounting policies (continued)

After initial recognition, intangible assets with finite lives are carried at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised using the straight-line method over the estimated useful lives:

Licences, patents, etc.	3–6 years
Software	3–8 years
Other intangible assets	3–6 years

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

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

The Group and the Company do not have any intangible assets (excluding goodwill) with indefinite useful life. Accounting principles for goodwill are presented in section 2.3.

The Group and the Company have no capitalised internally created intangible assets.

2.8 Property, plant, and equipment

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

Before 31 December 2010, buildings were accounted for as follows:

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

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

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

The initial value of property, plant and equipment comprises the acquisition cost including not refundable acquisition taxes and all directly attributable costs associated with the preparation for use or transportation to the place of use of assets concerned. Repair and maintenance costs incurred after property, plant and equipment has been made available for intended use are normally charged to the statement of comprehensive income in the period when such costs are incurred. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings and structures of reinforced concrete	40-80 years
Lightweight buildings and structures	8-25 years
Machinery and equipment	5–68 years
Motor vehicles	4–10 years
Other fixtures and equipment	2–10 years

The useful lives, residual values and the depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from property, plant and equipment. In the reporting and previous financial years, the useful live of the items of property, plant and equipment was reviewed and adjusted accordingly.

Property, plant and equipment is derecognised on 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 in which the asset is derecognised.

Construction in progress is stated at cost which comprises the value of building, constructions and facilities and other directly attributable costs. Construction in progress is not depreciated until the completion of construction and until the assets are ready for use.

2. Summary of significant accounting policies (continued)

2.9 Investment property

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

Investment property is stated at historical cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the following estimated useful lives: buildings – 62-91 years, structures (infrastructure objects) – 9-12 years.

Transfers to and from investment property are made only when there is an evidence of change in an asset's use. When the asset is transferred from investment property to owner-occupied property, plant and equipment, the cost of that asset is deemed to be the carrying amount of investment property at the date of transfer. If property, plant and equipment are transferred to investment property, the Company and the Group account for such assets in accordance with the accounting principles applicable to property, plant and equipment until the date of transfer. The deemed cost of the transferred investment property is considered to be the carrying amount of that asset at the date of transfer.

2.10 Impairment of non-financial assets

Non-financial assets, except for goodwill, inventories and deferred income tax, are assessed for impairment when events or circumstances indicate that the value of assets may not be recoverable. If such circumstances exist, the asset's recoverable amount is estimated. Where the carrying amount of an asset exceeds its recoverable amount, impairment loss is accounted for in the statement of comprehensive income. A reversal of an impairment loss recognised in prior periods is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has materially decreased. Reversal is accounted for in the statement of comprehensive income under the same item as impairment loss. Impairment of goodwill is recorded in the statement of comprehensive income.

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

2.11 Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and the fair value less expected costs to sell. Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. The management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

In the reporting and the previous financial year, the Company and the Group had no assets held for sale.

2.12 Emission allowances

Based on Directive 2003/87/EC of the European Union, the greenhouse gas emissions trading (EU ETS) scheme was developed which came into force on 1 January 2005. The first operating phase of this system covered the period of 3 years which started in 2005 and ended in 2007; the second phase covered the period of 5 years which started in 2008 and ended in 2012, thus coinciding with the period detailed in the Kyoto Agreement. The third phase covered the period of 8 years which started in 2013 and ended in 2020. The fourth phase started on 1 January 2021 and it will end in 2030. The system works on the 'cap and trade' principle. The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation.

This cap is established in the National Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP determines the amount of yearly emissions (measured in tonnes of carbon dioxide equivalent) for each emission unit and for each operating phase and allocates allowances on an annual basis.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the NAP (a part of emission allowances is set aside for new units).

A Member State is to assure that an operator of each emission unit submits data on actual amount of gas emitted to the environment by the unit during the current calendar year not later than by 30 April of the next year.

The Group and the Company apply the net liability approach in accounting for the emission allowances received. Under this method emission allowances are recorded at a nominal (nil) value. When actual emissions exceed

2. Summary of significant accounting policies (continued)

allocated emission allowances, the obligation of purchasing additional allowances is recognised as a provision measured at the market value of the allowances as at the reporting date. The Group and the Company assess the shortage of emission allowances by comparing the annual quantity of emission allowances obtained with the actual annual emissions.

Disposals of emission allowances are recorded at the fair value of the disposal transaction. Any differences between the actual selling price and the carrying amount of emission allowances obtained are recognised as profit or loss, irrespective of whether such transaction results in the actual or possible shortage of emission allowances. Income from emission allowances is presented in the statement of cash flows as cash flows from operating activities. If the disposal of emission allowances results in an actual shortage of emission allowances, an additional provision is recognised in the statement of financial position.

2.13 Borrowing costs

Borrowing costs comprise interest and other expenses (currency exchange differences) that the Company and the Group incur when borrowing funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as expenses as incurred.

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

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

2.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and initial measurement

The Group and the Company recognise a financial asset or a financial liability in their statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value which is equal to the fair value of consideration paid plus transaction costs for all financial assets not carried at fair value in the statement of comprehensive income.

Classification and subsequent measurement

The Group and the Company classify financial assets into the following categories:

- measured at amortised cost;
- measured at fair value through other comprehensive income;
- measured at fair value through profit or loss;
- hedging financial instruments.

The Group and the Company classify financial assets into the appropriate category depending on the business model for managing financial assets and on the characteristics of contractual cash flows for a respective financial asset.

The Group and the Company classify trade receivables, loans granted, other accounts receivable of financial assets and cash and cash equivalents as assets measured at amortised cost.

At the initial recognition the Group and the Company attribute equity instruments, i.e. shares of other entities, to financial instruments measured at fair value through other comprehensive income.

The Group and the Company attribute financial derivatives not used for hedge accounting and hedging instruments measured in accordance with the hedge accounting principles to assets measured at fair value in the statement of comprehensive income.

The Group and the Company classify financial liabilities into the following categories:

- measured at amortised cost;
- measured at fair value through profit or loss;
- hedging financial instruments.

The Group and the Company attribute trade liabilities, other accounts payable and borrowings to financial liabilities measured at amortised cost.

2. Summary of significant accounting policies (continued)

Liabilities of derivative financial instruments not designated for hedge accounting are measured by the Group and the Company at fair value in the statement of comprehensive income.

Measurement of financial assets at amortised cost

The Group and the Company apply the effective interest rate method to measure financial assets at amortised cost.

After initial recognition trade receivables are measured at amortised cost using the effective interest rate method, including impairment losses, while trade receivables with maturities less than 12 months from the date of recognition (i.e., not containing a financing element) and not classified as factoring, are not discounted and are measured at a nominal value.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate exactly discounts future cash payments over the expected life of the financial liability, or (where appropriate) a shorter period.

Measurement of financial assets at fair value through other comprehensive income

Gains and losses on a financial asset constituting an equity instrument classified as at fair value through other comprehensive income are recognised in other comprehensive income, except for income from received dividends.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for sale, i.e. acquired for selling it in the near term. Gain or loss from change in the value of these assets is recognised in statement of comprehensive income. Gain or loss on assets classified at fair value through profit or loss also includes interest or dividend income.

As at 31 December 2022 and 2021, the Group and the Company had no financial instruments measured at fair value through profit or loss.

Derivative financial instruments and hedge accounting

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

Derivatives initially are measured at fair value; any directly attributable transaction costs are recognised in the statement of comprehensive income as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the statement of comprehensive income.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of comprehensive income.

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

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

Derecognition of a financial instrument in the statement of financial position

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/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/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.

2. Summary of significant accounting policies (continued)

Where the Group/Company has transferred its rights to receive cash flows from the 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/Company'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/Company could be required to repay.

A financial liability is derecognised when the obligation under the liability is settled, 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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting financial assets and financial liabilities

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

Impairment of financial assets

IFRS 9 contains a new model for calculation of impairment of financial assets measured at amortised cost or at fair value through other comprehensive income (except for investments in equity instruments and contract assets). The impairment model is based on calculated expected losses.

In determining impairment losses, the Group and the Company apply the following models:

- general model (basic);
- simplified model.

The Group and the Company apply the general model for financial assets measured at amortised cost, except for trade receivables and assets measured at fair value through other comprehensive income.

By applying the general model, the Group and the Company monitor changes in the level of credit risk associated with a respective financial asset and classify financial assets to one of three stages for determining impairment losses based on changes in the credit risk level after the initial recognition of the instrument.

Depending on the categorisation to individual stages, impairment is measured at an amount equal to a 12-month period (stage 1) or the lifetime of the instrument (stage 2 and stage 3).

On each end day of the reporting period, the Group and the Company analyse indications, based on which financial assets are categorised to individual stages for measuring impairment losses. Indications may include changes in the debtor's creditworthiness, serious financial problems of the debtor, significant adverse changes in the debtor's economic, legal or market environment.

For the purpose of estimating expected credit losses, the Group and the Company apply default probability levels implicit in market quotes of credit derivatives, for entities with a granted credit rating and from a respective sector.

The Group and the Company include forward looking information in the parameters of the expected credit loss estimation model by calculating the probability of insolvency parameters based on current market quotes.

The simplified model is applied by the Group and the Company for trade receivables.

By applying the simplified model, the Group and the Company do not monitor changes in the credit risk level during the lifetime of the instrument and estimate expected credit losses for the period until the end of the use of the instrument.

For the purpose of estimating expected credit losses, the Group and the Company use the provision matrix calculated referring to historical levels of repayment and recovery of amounts receivable from clients.

The Group and the Company include information about the future periods in the parameters used in the expected loss estimation model by adjusting the key insolvency probability parameters.

For the purpose of calculating expected credit losses, the Group and the Company determine default probability parameters for liabilities of accounts receivable that are calculated based on historical analysis of the number of unpaid invoices, and default probability parameters that are calculated based on historical analysis of the value of unpaid invoices.

2. Summary of significant accounting policies (continued)

Expected credit losses are calculated when the amount receivable is recognised in the statement of financial position and is updated on each subsequent end day of the reporting period depending on the number of overdue days of the amount receivable.

Impairment losses (reversal of impairment losses) on financial instruments

Impairment losses (reversal of impairment losses) on financial instruments include, in particular, losses (reversal of losses) due to impairment of trade receivables and losses (reversal of losses) due to impairment of loans granted.

2.15 Inventories

Inventories are recognised at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion, marketing and distribution. The cost of inventories is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs (cost of raw materials, electricity, heat (steam) energy production, depreciation, salaries and other costs) based on a normal operating capacity.

2.16 Leases – where the Group is a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group follows IFRS 16 *Leases*.

At the commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The lease contract, when the right to control the use of an identified asset for a period of time is acquired in exchange for consideration, is recognised by the lessee as right-of-use assets and is measured at a discounted cost at the commencement date.

The Group and the Company recognise right-of-use assets and lease liabilities at the lease inception date, i.e. the date when the Group or the Company can start to use the leased assets. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

The right-of-use asset is subsequently measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date until the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. In 2022 (as well as in 2021), the Group applied a discount rate of 4.0% to land and buildings used under the lease rights and the discount rate of 1.3% was applied to machinery and equipment. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of a lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate initially measured using an index or a rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

2. Summary of significant accounting policies (continued)

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method. The lease term is a non-cancellable term; the periods covered by an option to extend or terminate the lease (if any) are included in the lease term only if it is reasonably certain that the lease will be extended or terminated.

The lease liability is subsequently increased by the amount of interest on the lease liability and reduced by the amount of lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee (there were no guaranteed residual values as at 31 December 2022 and 31 December 2021), if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment (no extension options under the lease contracts were accounted for as at 31 December 2022 and 31 December 2021 due to uncertainty). When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The cost of right-of-use assets comprises: the amount of the initial measurement of the lease liability; additional lease payments or concessions made before the commencement date of the contract; direct contract costs; additional costs associated with the asset's preparation for use. As at 31 December 2022 and 31 December 2021, the Group did not recognise any lease incentives, initial direct expenses, renewal expenses or other expenses in respect of the leased assets.

The depreciation period of right-of-use assets is normally the shorter of the useful life of the assets or the lease term. Depreciation is calculated using the straight-line method. As at 31 December 2022 and 31 December 2021, the straight-line method was applied to the Company's leased right-of-use assets.

Interest expenses of lease liabilities and depreciation of right-of-use assets are accounted for separately in the statement of comprehensive income. Right-of-use assets and lease liabilities are disclosed separately in the statement of financial position.

Payments related to short-term lease of equipment and lease of all low-value assets are recognised as expenses in the statement of comprehensive income using the straight-line method.

2.17 Leases – where the Group is a lessor

Classification

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, i.e., the lessor retains substantially all risks and rewards, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Initial recognition

The underlying assets leased under the operating lease contracts are accounted for in the lessor's balance sheet.

Subleases

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. A lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to right-of-use assets; otherwise it is classified as an operating lease. The Group's subleases are classified as an operating lease. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. The Group and the Company had no sublease contracts in 2022 and 2021.

Accounting for non-lease components

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract and to account for a non-lease component.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the net investment in the lease.

2. Summary of significant accounting policies (continued)

Rental income

The Group recognises lease payments received under the operating leases as income on a straight-line basis over the lease term when it is earned as part of 'other income'. All contracts for the lease of real estate contain a fixed, periodic lease payment.

2.18 Long-term employee benefits

Each employee of retirement age who terminates his/her employment with the Group or the Company upon retirement is entitled to receive a one-off payment equal to 2 monthly salaries as stipulated in the Lithuanian Labour Code.

The past service costs are recognised as an expense in the statement of comprehensive income immediately after the assessment of such liability. Gain or loss resulting from changes in employee benefits (decrease or increase) is recognised immediately in the statement of comprehensive income.

Employee benefit obligation is calculated with reference to actuarial valuations using the projected unit credit method. Liability is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the preparation of the statement of financial position.

The present value of employee benefit obligation is determined by discounting the estimated future cash flows using the interest rates set for government bonds denominated in the same currency as the benefits and with a maturity similar to the expected timing of benefits settlement. Actuarial gains and losses are recognised in other comprehensive income

2.19 Rules on granting of shares

By the decision of 29 April 2022 of the General Meeting of Shareholders of Grigeo AB the rules on granting of shares of Grigeo AB were approved. The rules establish the conditions and the procedure for the granting of shares for no consideration to employees of the Company and its subsidiaries.

According to the list approved by the Board, the option recipients are granted the right to use the possibility to acquire the Company's shares for no consideration. Share options only vest if the employee fulfils the condition of working at the Group for the period of three years and a respective company of the Group generates profit and the employee achieves the targets set according to a variable remuneration system. If the recipient does not fulfil at least one condition established by the Option Agreement, the option does not vest, and the employee does not have the right to exercise that option.

The rights granted to the option recipient employed at the Company to acquire shares are forfeit, if the bankruptcy proceedings are initiated against the Company or a decision on its liquidation is adopted, or the option recipient ceases to be employed by the Company, unless the option recipient and the Company agree otherwise.

These share-based payments to employees are made only in equity securities (shares). No amounts of social security contributions or income tax are payable by the Company on the exercise of the option (or at any other time before the exercise date) and accrued in liabilities. The option recipient is responsible for all fees relating to the fulfilment of the conditions stipulated in the Option Agreement.

Shares are granted by issuing a new share issue through the increase of the authorised share capital of the Company. For this purpose, the reserve for the granting of shares has already been formed at the Company. Each option transaction will be implemented by converting it to the agreed number of ordinary shares of the Company.

Option expenses incurred under the share option programme are reported in the Company's statement of comprehensive income and are offset against the equity line item in the balance sheet, referring to the number of days between the vest date of the option and the exercise date of the option. Each year the Company reviews the valid agreements on vested options in order to reflect, as far as possible, the most accurate number of equity instruments expected to be transferred to employees. All expenses related to share options are calculated on the basis of the share price at the grant date, the number of shares, the period until the exercise date of the option, the turnover of respective job positions and the probability that the option recipient will fulfil the option conditions.

2.20 Financial guarantees contracts

Financial guarantees provided for the liabilities of the Group companies (i.e., companies controlled by the same parent) during the initial recognition are accounted for at fair value as equity contribution and as financial liability in the balance sheet.

Subsequent to initial recognition this financial liability is amortised and recognised as income depending on the related amortisation/settlement of the Group company's financial liability to the bank. If there is a possibility that the Group company may fail to fulfil its obligations to the bank, a financial liability of the Group company is accounted for at the higher of the amortised value and the value estimated according to IAS 9 *Financial instruments*.

2. Summary of significant accounting policies (continued)

2.21 Grants and subsidies

Grants and subsidies (hereinafter "grants") allocated for the purchase, construction or any other acquisition of non-current assets are defined as grants related to assets. Grants related to assets are recognised in the statement of comprehensive income in the proportions in which depreciation expense on those assets is recognised, and a relevant line item of expenses is reduced in the statement of comprehensive income.

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

2.22 Income tax and deferred 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. Corporate income tax is included in these financial statements based on the management's calculations prepared in accordance with the respective tax legislation applied in the Republic of Lithuania and Ukraine.

In 2022 and 2021 a 15% income tax rate was established and applied to the Group companies operating in the Republic of Lithuania. A standard income tax rate applied to the Ukrainian companies for the year 2022 was 18% (2021: 18%).

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

With effect from 2014, according to the Lithuanian regulatory legislation deductible tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

Deferred taxes are calculated using the balance sheet liability method. Deferred tax represents a net tax effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred tax assets and liabilities are measured using a tax rate that is expected to be used when deferred tax assets are utilised or deferred tax liability is settled taking account of tax rates adopted or actually effective at the date of the statement of financial position.

Deferred tax assets are recognised in the statement of financial position to the extent that the management expects to utilise such assets in the near future taking into consideration forecasts of taxable profit. When it is probable that a portion of deferred tax will not be utilised, this portion of deferred tax is not recognised in the financial statements.

2.23 Revenue recognition

The Group's and the Company's revenue is recognised in accordance with the provisions of IFRS 15, i.e. the Group and the Company recognise revenue at the time and to such an extent so that the transfer of goods or services to customers would show the amount which reflects to the consideration that the Company expects to receive in exchange for the goods or services. When applying this standard, the Company takes into consideration the terms of the contract and all significant facts and circumstances. Revenue is recognised in the Company using the five-step model.

Identification requirements for contracts with customers

A contract with a costumer meets the definition if all of the following criteria are met: the contract has been approved by the parties to the contract and they committed to perform their obligations; the Group and the Company can identify each party's rights in relation to the goods and services to be transferred; the Group and the Company can identify the payment terms for the goods and services to be transferred; the contract has commercial substance and it is probable that the Group and the Company will collect the consideration to which they will be entitled to in exchange for the goods or services that will be transferred to the costumer. Contracts with customers can be combined or separated into several contracts by maintaining the criteria of the previous contracts. Such combination or separation is treated as a contract modification.

2. Summary of significant accounting policies (continued)

Identification of performance obligations

At the inception of the contract, the Group and the Company assess the goods and services promised in the contract with the client and identify as an obligation to perform any promise to transfer to the client: a good or service (or bundle of goods or services)

that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Determination of the transaction price

In order to determine the transaction price, the Group and the Company take into account the terms of the contract and the customary business practices. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for the transfer of promised goods and services to the customer, except for the amounts collected on behalf of third parties. The consideration specified in the contract with the customer may include fixed amounts, variable amounts or both.

When calculating variable amounts, the Group and the Company decided to apply the most probable value method for contracts with one threshold or the expected value method for contracts with more value thresholds from which the customer receives a discount.

Allocation of the transaction price for each performance obligation

The Group and the Company allocate the transaction price to each performance obligation at an amount that reflects the amount of consideration to which the Group and the Company expect to be entitled in exchange for the transfer of the promised goods or services to the customer.

Revenue recognition when performance obligations are satisfied

The Group and the Company recognise revenue when the Group and the Company satisfy a performance obligation by transferring to the customer a promised good or service (i.e., the customer obtains control of the asset). Revenue is recognised as amounts equal to the transaction price that was allocated to a given performance obligation.

The Group and the Company transfer the right to control goods or services over time and thus satisfy the performance obligation and recognise revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group and the Company as they perform;
- the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

the Group's and the Company's performance does not create an asset with an alternative use to the Group and the Company and the Group and the Company have an enforceable right to payment for performance completed to date.

Type of goods sold and services rendered	Nature and timing of the fulfilment of performance obligations and payment terms	Revenue recognition under IFRS 15
Paper and paper products Wood fibreboards Raw materials for corrugated cardboard (test liner and fluting), corrugated cardboard and its products Other goods	The customer takes over the control of goods when goods are delivered. Invoices for goods are issued at the time when goods are delivered to the customer or when goods are removed from the warehouse. Invoices are usually paid within 30-45 calendar days. Turnover discounts are applied to goods sold which are calculated the end of each month, quarter and year for the previous period.	Revenue is recognised when goods are delivered to the customer or when goods are removed from the warehouse. Related expenses are recognised in the statement of comprehensive income when incurred. Marketing expenses that are directly related to earning of revenue are accounted for in the statement of comprehensive income as a reduction of revenue. Possible loss for the contract is recognised immediately in the statement of comprehensive income.
Sales of heat energy and other utility services	Invoices for the serviced rendered during the month are issued on the last day of the month. A standard established payment term is 10-30 calendar days.	Revenue is recognised over a period of time when the services are rendered.

2. Summary of significant accounting policies (continued)

2.24 Recognition of expenses

Expenses are recognised on an accrual basis and following the matching principle during the reporting period in which revenue associated with such expenses is earned, regardless of the timing of the cash payments. Expenses incurred during the reporting period, which cannot be attributed directly to specific revenue earned and will not generate any revenue in subsequent reporting periods, are recognised as expenses in the period in which they were incurred.

Expenses are usually measured at the amount paid or payable, net of VAT. When a long term of settlement is established and no interest is charged, expenses are determined by discounting the amount of settlement at the market interest rate.

2.25 Fair value measurement

Certain accounting policies and disclosures of the Group and the Company require the fair value measurement for financial and non-financial assets and liabilities.

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

In determining the fair value of assets or liabilities the Group and the Company use as much as possible inputs that are observable in the market. A fair value hierarchy categorises into three levels the inputs to valuation methods used to measure fair value:

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

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

The Group and the Company recognise the amounts transferred within the fair value hierarchy levels at the end of the reporting period in which the change occurred.

When applicable, further information on assumptions used in determining fair values is disclosed in the note related to specific assets or liabilities:

Note 8 – Investment property

Note 3 – Financial risk management – Interest rate risk

2.26 Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities related to business combinations. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2.27 Events after the end of the reporting period

Events after the reporting period that provide additional information about the Group's/Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the reporting period other than adjusting events are disclosed in explanatory notes to the financial statements when such events are significant.

2.28 Comparative figures

New accounting estimates do not affect reliability of information disclosed in the financial statements, therefore they are corrected in the accounting records and presented in the financial statements prospectively.

2.29 Inter-company offsetting

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, unless such offsetting is required by a specific Business Accounting Standard.

All amounts are in EUR thousands unless otherwise stated

3. Financial risk management

The Group and the Company are exposed to financial risks in their operations, i.e., credit risk, liquidity risk and market risk (foreign exchange risk, interest rate risk). In managing these risks, the Group and the Company seek to mitigate the effect of factors which could make a negative effect on the financial performance of the Group and the Company.

Credit risk

The largest exposure to credit risk is represented by the carrying amount of each financial asset. Consequently, the Company's management considers that its maximum exposure is reflected by the amount of current and non-current trade and other receivables, net of recognised impairment losses and cash and cash equivalents at the date of the statement of financial position. Credit risk or the risk of counterparties defaulting, is controlled by the application of credit terms and monitoring procedures using services of external credit insurance and debt recovery agencies. The Company's objective is to maximise the number of insured clients and with regard to the clients who are not insured by a credit insurance company the advance payment basis is usually applied.

Maximum exposure to credit risk

The table below summarises all credit risk exposures relating to on-balance sheet items of the Group and the Company.

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Trade receivables	22,247	19,071	12,215	8,112
Trade receivables from related parties	-	-	1,803	1,294
Other amounts receivable	383	1,232	189	558
Cash and cash equivalents	14,840	12,443	7,544	818
Total	**37,470**	**32,746**	**21,751**	**10,782**

Trade receivables

As at 31 December 2022 and 2021, the Company and the Group carried out the assessment of a loss allowance for expected losses according to IFRS 9. For trade receivables, the Company and the Group apply a simplified approach to measure the amount of lifetime expected credit losses. The amount of the allowance for expected losses for trade receivables is calculated on the basis of the profile of payments for sales in 2020-2022. Historical loss rates are adjusted with reference to the present and future-oriented information on the macroeconomic factors affecting the customers' ability to settle the amounts due. The Company has established that the growth rate of the Lithuanian GDP is the major factor and adjusts historical loss rates accordingly referring to expected changes in these factors.

Based on the impairment tests performed with respect to trade receivables, an individually assessed loss allowance of EUR 5 thousand was recognised for the Group in 2022 (in 2021, no individually assessed impairment was recognised for the Group). Movements in the loss allowance for amounts receivable were as follows:

	Group				Company			
	Individually assessed impairment 2022	Individually assessed impairment 2021	Collectively assessed impairment 2022	Collectively assessed impairment 2021	Individually assessed impairment 2022	Individually assessed impairment 2021	Collectively assessed impairment 2022	Collectively assessed impairment 2021
At 1 January	**146**	**153**	**-**	**-**	**72**	**72**	**-**	**-**
Increase in allowance	5	-	-	-	-	-	-	-
Receivables written off	(66)	(7)	-	-	-	-	-	-
At 31 December	**85**	**146**	**-**	**-**	**72**	**72**	**-**	**-**

Change in the loss allowance for trade receivables in 2022 and 2021 is included in administrative expenses.

All amounts are in EUR thousands unless otherwise stated

3. Financial risk management (continued)

Expected credit losses:

Group	Not past due	Trade receivables past due < 30 days	30–60 days	60–90 days	90–360 days	> 360 days	Total
Trade receivables – net (2022)	**20,789**	**1,329**	**19**	**6**	**6**	**99**	**22,248**
Trade receivables – gross	20,789	1,329	19	6	11	179	22,333
Recognised loss allowance	-	-	-	-	(5)	(80)	(85)
Expected loss coefficient	-	-	-	-	45%	45%	
Trade receivables – net (2021)	**17,016**	**1,797**	**201**	**36**	**21**	**-**	**19,071**
Trade receivables – gross	**17,016**	**1,797**	**201**	**36**	**21**	146	19,217
Recognised loss allowance	-	-	-	-	-	(146)	(146)
Expected loss coefficient	-	-	-	-	-	100%	

Company	Not past due	Trade receivables past due < 30 days	30–60 days	60–90 days	90–360 days	> 360 days	Total
Trade receivables – net (2022)	**11,614**	**583**	**17**	**1**	**-**	**1**	**12,215**
Trade receivables – gross	11,614	583	17	1	-	72	12,287
Recognised loss allowance	-	-	-	-	-	(72)	(72)
Expected loss coefficient	-	-	-	-	-	100%	
Trade receivables – net (2021)	**7,850**	**254**	**8**	**2**	**-**	**-**	**8,112**
Trade receivables – gross	7,850	254	8	-	-	72	8,184
Recognised loss allowance	-	-	-	-	-	(72)	(72)
Expected loss coefficient	-	-	-	-	-	100.0%	

The concentration of trade partners of the Group and the Company is not high. As at 31 December 2022, the Group's trade receivables from two major customers accounted for respectively 12.5% and 5.5% of the total trade receivables (31 December 2021: 8.6% and 4.5%, respectively). As at 31 December 2022, the Company's amounts receivable from two major customers accounted for respectively 22.7% and 10.0% of the total trade receivables (31 December 2021: 20.3% and 11.6%, respectively).

Amounts receivable from related parties and other amounts receivable

The Group's other amounts receivable comprise amounts receivables of the recovery of a part of the PSO (services under public service obligation (PSO) scheme) fee and other amounts receivable. The recovery amount of a part of the PSO service fee is the amount receivable from the state authority. Based on the management's estimate, risk arising from amounts receivable from the state enterprises is minimal and the credit rating of the Republic of Lithuania is applied to them. The Group's and the Company's other amounts receivable are not analysed due to their immateriality. The risk of recovery of the Company's amounts receivable from the related parties is not significant because the operations of the subsidiaries are profitable and amounts receivable from the related parties are not material.

Cash and cash equivalents

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

All amounts are in EUR thousands unless otherwise stated

3. Financial risk management (continued)

The credit quality of cash held in bank accounts is evaluated based on the long-term borrowing ratings assigned by *Standard & Poor's* (or an equivalent rating assigned by *Moody's*):

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
AA-	227	269	-	-
A+	14,596	8,114	7,544	763
BBB+	-	2,056	-	55
BBB	-	2,000	-	-
Other	17	4	-	-
Total	**14,840**	**12,443**	**7,544**	**818**

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2022 and 2021 based on contractual undiscounted payments.

Group	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Borrowings	833	1,755	4,863	-	7,451	7,007
Lease liabilities	122	359	706	5,349	6,536	3,885
Trade payables	25,979	-	-	-	25,979	25,979
Other amounts payable	2,208	-	-	-	2,208	2,208
At 31 December 2022	**29,142**	**2,114**	**5,569**	**5,349**	**42,174**	**39,079**
Borrowings	514	1,529	951	-	2,994	2,958
Lease liabilities	143	363	896	7,545	8,947	3,537
Trade payables	25,270	-	-	-	25,270	25,270
Other amounts payable	1,687	-	-	-	1,687	1,687
At 31 December 2021	**27,614**	**1,892**	**1,847**	**7,545**	**38,898**	**33,452**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2022 and 2021 based on contractual undiscounted payments.

Company	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Borrowings	364	716	1,938	-	3,018	2,857
Lease liabilities	97	282	175	2,799	3,353	1,348
Amounts payable to related parties	605	-	-	-	605	605
Trade payables	14,434	-	-	-	14,434	14,434
Other amounts payable	919	-	-	-	919	919
At 31 December 2022	**16,419**	**998**	**2,113**	**2,799**	**22,329**	**20,163**
Borrowings	421	972	176	-	1,569	1,555
Lease liabilities	99	292	417	2,806	3,614	1,579
Amounts payable to related parties	601	-	-	-	601	601
Trade payables	12,013	-	-	-	12,013	12,013
Other amounts payable	650	-	-	-	650	650
At 31 December 2021	**13,784**	**1,264**	**593**	**2,806**	**18,447**	**16,398**

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

As disclosed in Note 13, the Group and the Company have secured bank borrowings that are subject to loan covenants. In case of breach of covenants, the Group may be required to repay the borrowing earlier than it is indicated in the above table. The finance team regularly monitors compliance with the loan covenants. To ensure the fulfilment of contractual obligations reports on compliance with the terms are regularly provided to management.

All amounts are in EUR thousands unless otherwise stated

3. Financial risk management (continued)

Market risk

Interest rate risk

A major part of the Group's and the Company's borrowings comprises borrowings and lease liabilities that bear a variable interest rate linked with EURIBOR and expose them to the interest rate risk (Note 13).

The following table demonstrates the sensitivity of the Group's and the Company's profit before tax to possible changes in interest rates with all other variables held constant (through the impact on variable interest rate borrowings):

	Increase/decrease in basis points	Group	Company
		Effect on profit before tax	Effect on profit before tax
2022			
EUR	+100	(70)	(29)
EUR	-100	70	29
2021			
EUR	+100	(22)	(10)
EUR	-100	-	-

Foreign exchange risk

The Company's financial assets and liabilities as at 31 December 2022 and 2021 are denominated in the euros. The Group's financial assets and liabilities as at 31 December 2022 and 2021 are denominated in the euros and the Ukrainian hryvnias. The table below shows the sensitivity of the Group's profit before tax to possible changes in the exchange rate of the Ukrainian hryvnia:

	2022	2021
Reasonably possible change in the EUR/UAH exchange rate, %	+/-20%	*+/-10%*
Financial assets denominated in the Ukrainian hryvnias	625	879
Financial liabilities denominated in the Ukrainian hryvnias	99	304
Estimated negative effect on profit before tax	(88)	(95)
Estimated positive effect on profit before tax	132	116

Fair value of financial instruments

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

The carrying amount of the Group's and the Company's trade and other receivables, cash and cash equivalents, borrowings, lease liabilities, trade and other payables approximates their fair value. The fair value of financial instruments is measured at the Group and the Company using the following hierarchy levels:

<u>Level 1:</u> quoted prices (unadjusted) in active markets for identical assets or liabilities. The Group's and the Company's financial assets attributed to this level comprise cash and cash equivalents.

<u>Level 3:</u> inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group's and the Company's assets and liabilities attributed to this level comprise:

- Trade and other amounts receivable, trade and other amounts payable. The average payment term of these financial instruments is less than 3 months (7-90 days for trade receivables, 10-120 days for trade payables), therefore their fair value approximates the carrying amount.

Borrowings and lease liabilities. The fair value of these financial instruments approximates the carrying amount as they are stated at the amortised cost and interest rates applicable to them are similar to the market interest rates at the balance sheet date.

All amounts are in EUR thousands unless otherwise stated

3. Financial risk management (continued)

Capital risk management

The main objective of the Group's and the Company's capital management is to ensure that the Group and the Company comply with externally imposed capital requirements and that the Group and the Company maintain healthy capital ratios in order to support their business and to maximise shareholders' value (capital in the meaning of IAS 1 corresponds to equity presented in the financial statements and attributable to the Company's owners).

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. No changes were made concerning risk management objectives, policies or processes during the year ended 31 December 2022.

Pursuant to the Lithuanian Law on Companies, the Group's and the Company's equity must be not less than 50% of their share capital. As at 31 December 2022 and 2021, the Company complied with this requirement.

The Group and the Company use the debt-to-equity ratio to evaluate their capital. Capital includes ordinary shares, reserves, retained earnings attributable to the equity holders of the parent. It is aimed that the debt-to-equity ratio should not be higher than 50%-60%. As at 31 December 2022 and 2021, neither the Group nor the Company exceeded the maximum debt-to-equity ratio.

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Non-current liabilities (excluding subsidies, grants and deferred income tax liability)	8,650	4,496	2,988	1,505
Current liabilities	34,611	32,822	19,073	16,229
Total liabilities	**43,261**	**37,318**	**22,061**	**17,734**
Equity attributable to shareholders of the Company	**97,044**	**93,576**	**66,373**	**56,389**
Debt-to-equity ratio	**45%**	**40%**	**33%**	**31%**

4. Significant accounting estimates and assumptions

Set out below are the areas significant to the Group's and the Company's financial statements that involve complex judgements, assumptions and accounting estimates.

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. In assessing the remaining useful life of property, plant and equipment, the management takes into account conclusions presented by the employees responsible for technical maintenance of assets.

Impairment of goodwill

Goodwill is tested for impairment annually by calculating the recoverable value. The recoverable value of goodwill is calculated by discounting future cash flows to their present value. The management tested goodwill of EUR 3,001 thousand, which was recognised upon the acquisition of subsidiary Grigeo Klaipėda AB, for impairment and did not establish any indications of impairment (Note 7).

Legal processes

Subsidiary Grigeo Klaipėda AB has received a claim in relation to indemnification for damage to the environment. Based on the management's estimate, the outcome of the claim involves a high degree of uncertainty (Note 32).

All amounts are in EUR thousands unless otherwise stated

5. Property, plant and equipment

Group	Buildings and structures	Machinery and equipment	Motor vehicles	Other assets	Construction work in progress and prepayments	Total
At 1 January 2021						
Cost	**46,988**	**112,980**	**2,378**	**2,454**	**7,613**	**172,413**
Accumulated depreciation	**(19,433)**	**(79,361)**	**(1,479)**	**(1,511)**	**-**	**(101,784)**
Net book amount	**27,555**	**33,619**	**899**	**943**	**7,613**	**70,629**
Opening net book amount at 1 January 2021	**27,555**	**33,619**	**899**	**943**	**7,613**	**70,629**
Additions	51	490	171	181	9,956	10,849
Disposals and write-offs	-	(70)	(5)	(1)	-	(76)
Transfer to inventory	-	(15)	-	-	-	(15)
Transfer from construction work in progress to property, plant and equipment	328	7,154	35	49	(7,566)	-
Reclassification to investment property	(618)	(9)	-	3	-	(624)
Reclassification between categories	-	15	-	(15)	-	-
Foreign exchange effect	17	55	-	-	15	87
Depreciation charge	(2,241)	(6,419)	(272)	(354)	-	(9,286)
Closing net book amount at 31 December 2021	**25,092**	**34,820**	**828**	**806**	**10,018**	**71,564**
At 31 December 2021						
Cost	**46,700**	**119,730**	**2,468**	**2,514**	**10,018**	**181,430**
Accumulated depreciation	**(21,608)**	**(84,910)**	**(1,640)**	**(1,708)**	**-**	**(109,866)**
Net book amount	**25,092**	**34,820**	**828**	**806**	**10,018**	**71,564**
Opening net book amount at 1 January 2022	**25,092**	**34,820**	**828**	**806**	**10,018**	**71,564**
Additions	71	420	466	163	7,407	8,527
Disposals and write-offs	(2)	(30)	(1)	(1)	-	(34)
Transfer from/to inventory	-	8	-	-	-	8
Transfer from construction work in progress to property, plant and equipment	1,061	9,816	65	221	(11,163)	-
Reclassification to intangible assets	-	-	-	-	(250)	(250)
Reclassification from investment property	21	-	-	-	-	21
Foreign exchange effect	(34)	(99)	-	(3)	(23)	(159)
Depreciation charge	(1,902)	(5,964)	(268)	(349)	-	(8,483)
Closing net book amount at 31 December 2022	**24,307**	**38,971**	**1,090**	**837**	**5,989**	**71,194**
At 31 December 2022						
Cost	**47,969**	**127,100**	**2,803**	**2,522**	**5,989**	**186,383**
Accumulated depreciation	**(23,662)**	**(88,129)**	**(1,713)**	**(1,685)**	**-**	**(115,189)**
Net book amount	**24,307**	**38,971**	**1,090**	**837**	**5,989**	**71,194**

The Group's prepayments amounted EUR 348 thousand as at 31 December 2022 (31 December 2021: EUR 1,880 thousand).

All amounts are in EUR thousands unless otherwise stated

5. Property, plant and equipment (continued)

Company	Buildings and structures	Machinery and equipment	Motor vehicles	Other assets	Construction work in progress and prepayments	Total
At 1 January 2021						
Cost	**16,964**	**54,035**	**708**	**1,086**	**4,799**	**77,592**
Accumulated depreciation	**(6,265)**	**(41,667)**	**(354)**	**(693)**	**-**	**(48,979)**
Net book amount	**10,699**	**12,368**	**354**	**393**	**4,799**	**28,613**
Opening net book amount at 1 January 2021	**10,699**	**12,368**	**354**	**393**	**4,799**	**28,613**
Additions	17	27	-	65	4,963	5,072
Transfer from/to inventory	-	(15)	-	-	-	(15)
Reclassification between categories	-	15	-	(15)	-	-
Transfer from construction work in progress to property, plant and equipment	125	4,422	-	9	(4,556)	-
Reclassification to investment property	(618)	(9)	-	3	-	(624)
Depreciation charge	(864)	(2,923)	(85)	(154)	-	(4,026)
Closing net book amount at 31 December 2021	**9,359**	**13,885**	**269**	**301**	**5,206**	**29,020**
At 31 December 2021						
Cost	**16,364**	**57,714**	**654**	**1,028**	**5,206**	**80,966**
Accumulated depreciation	**(7,005)**	**(43,829)**	**(385)**	**(727)**	**-**	**(51,946)**
Net book amount	**9,359**	**13,885**	**269**	**301**	**5,206**	**29,020**
Opening net book amount at 1 January 2022	**9,359**	**13,885**	**269**	**301**	**5,206**	**29,020**
Additions	-	80	184	65	1,216	1,545
Disposals and write-offs	(1)	(12)	-	-	-	(13)
Transfer from/to inventory	-	8	-	-	-	8
Transfer from construction work in progress to property, plant and equipment	249	4,329	-	18	(4,596)	-
Depreciation charge	(692)	(2,615)	(96)	(142)	-	(3,545)
Closing net book amount at 31 December 2022	**8,915**	**15,675**	**357**	**242**	**1,826**	**27,015**
At 31 December 2022						
Cost	**16,530**	**61,524**	**705**	**901**	**1,826**	**81,486**
Accumulated depreciation	**(7,615)**	**(45,849)**	**(348)**	**(659)**	**-**	**(54,471)**
Net book amount	**8,915**	**15,675**	**357**	**242**	**1,826**	**27,015**

The Company's prepayments amounted EUR 119 thousand as at 31 December 2022 (31 December 2021: EUR 450 thousand).

All amounts are in EUR thousands unless otherwise stated

5. Property, plant and equipment (continued)

The depreciation charge of the Group's and the Company's property, plant and equipment is included in the following line items of the statement of comprehensive income and the statement of financial position:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Cost of sales	8,128	8,897	3,336	3,782
Administrative expenses	254	271	141	170
Selling and distribution expenses	101	118	68	74
Statement of comprehensive income – total	**8,483**	**9,286**	**3,545**	**4,026**

As at 31 December 2022, the Group's and the Company's property, plant and equipment with the carrying amount of respectively EUR 13,288 thousand and EUR 6,565 thousand (31 December 2021: EUR 18,249 thousand and EUR 12,152 thousand, respectively) was pledged to the banks as security for borrowings (Note 13).

A part of the Group's and the Company's property, plant and equipment was fully depreciated but still in use. Information by category of assets is presented below:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Buildings and structures	821	880	260	332
Machinery and equipment	5,130	5,246	1,372	1,445
Motor vehicles	637	642	44	175
Other assets	405	514	127	248
Total	**6,993**	**7,282**	**1,803**	**2,200**

The Group's and the Company's commitments for the acquisition of property, plant and equipment under the signed agreements amounted to respectively EUR 1,988 thousand and EUR 363 thousand as at 31 December 2022 (31 December 2021: EUR 3,333 thousand and EUR 323 thousand, respectively).

All amounts are in EUR thousands unless otherwise stated

6. Right-of-use assets

Group	Land	Buildings and structures	Machinery and equipment	Total
At 1 January 2021				
Cost	**3,945**	**242**	**765**	**4,952**
Accumulated depreciation	**(469)**	**(110)**	**(244)**	**(823)**
Net book amount	**3,476**	**132**	**521**	**4,129**
Opening net book amount at 1 January 2021	**3,476**	**132**	**521**	**4,129**
Change in value-in-use	-	175	156	331
Foreign exchange effect	2	-	-	2
Disposals and write-offs	-	-	(58)	(58)
Amortisation charge	(63)	(113)	(259)	(435)
Closing net book amount at 31 December 2021	**3,415**	**194**	**360**	**3,969**
At 31 December 2021				
Cost	**3,948**	**416**	**823**	**5,187**
Accumulated depreciation	**(533)**	**(222)**	**(463)**	**(1,218)**
Net book amount	**3,415**	**194**	**360**	**3,969**
Opening net book amount at 1 January 2022	**3,415**	**194**	**360**	**3,969**
Change in value-in-use	208	376	279	863
Foreign exchange effect	(3)	-	-	(3)
Disposals and write-offs	-	-	(75)	(75)
Amortisation charge	(67)	(122)	(288)	(477)
Closing net book amount at 31 December 2022	**3,553**	**448**	**276**	**4,277**
At 31 December 2022				
Cost	**4,148**	**792**	**780**	**5,720**
Accumulated depreciation	**(595)**	**(344)**	**(504)**	**(1,443)**
Net book amount	**3,553**	**448**	**276**	**4,277**

All amounts are in EUR thousands unless otherwise stated

6. Right-of-use assets (continued)

Company	Land lease rights	Buildings and structures	Machinery and equipment	Total
At 1 January 2021				
Cost	**1,013**	**1,154**	**241**	**2,408**
Accumulated depreciation	**(26)**	**(468)**	**(81)**	**(575)**
Net book amount	**987**	**686**	**160**	**1,833**
Opening net book amount at 1 January 2021	**987**	**686**	**160**	**1,833**
Change in value-in-use	-	-	57	57
Disposals, write-offs	-	-	(29)	(29)
Amortisation charge	(13)	(229)	(85)	(327)
Closing net book amount at 31 December 2021	**974**	**457**	**103**	**1,534**
At 31 December 2021				
Cost	**1,014**	**1,154**	**243**	**2,411**
Accumulated depreciation	**(40)**	**(697)**	**(140)**	**(877)**
Net book amount	**974**	**457**	**103**	**1,534**
Opening net book amount at 1 January 2022	**974**	**457**	**103**	**1,534**
Change in value-in-use	17	-	93	110
Disposals, write-offs	-	-	(15)	(15)
Amortisation charge	(14)	(228)	(92)	(334)
Closing net book amount at 31 December 2022	**977**	**229**	**89**	**1,295**
At 31 December 2022				
Cost	**1,029**	**1,154**	**284**	**2,467**
Accumulated depreciation	**(52)**	**(925)**	**(195)**	**(1,172)**
Net book amount	**977**	**229**	**89**	**1,295**

The depreciation charge of the Group's and the Company's right-of-use assets is included in the following line items of the statement of comprehensive income:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Cost of sales	352	319	68	65
Administrative expenses	67	64	14	14
Selling and distribution expenses	58	52	252	248
Total	**477**	**435**	**334**	**327**

As at 31 December 2022, the Group's and the Company's land lease rights with the carrying amount of respectively EUR 1,016 thousand and EUR 353 thousand (31 December 2021: EUR 477 thousand and EUR 358 thousand, respectively) were pledged to the banks as security for borrowings (Note 13).

All amounts are in EUR thousands unless otherwise stated

7. Intangible assets

Group	Goodwill	Licences, patents	Software	Other assets	Total
At 1 January 2021					
Cost	**3,001**	**158**	**2,207**	**531**	**5,897**
Accumulated amortisation	-	**(86)**	**(1,657)**	**(530)**	**(2,273)**
Net book amount	**3,001**	**72**	**550**	**1**	**3,624**
Opening net book amount at 1 January 2021	**3,001**	**72**	**550**	**1**	**3,624**
Additions	-	11	38	23	72
Foreign exchange effect	-	1	-	-	1
Amortisation charge	-	(38)	(145)	(1)	(184)
Closing net book amount at 31 December 2021	**3,001**	**46**	**443**	**23**	**3,513**
At 31 December 2021					
Cost	**3,001**	**169**	**2,243**	**553**	**5,966**
Accumulated amortisation	**-**	**(123)**	**(1,800)**	**(530)**	**(2,453)**
Net book amount	**3,001**	**46**	**443**	**23**	**3,513**
Opening net book amount at 1 January 2022	**3,001**	**46**	**443**	**23**	**3,513**
Additions	-	6	9	177	192
Transfer from development work in progress to intangible assets	-	-	18	(18)	-
Reclassification from property, plant and equipment	-	-	250	-	250
Foreign exchange effect	-	-	(1)	-	(1)
Amortisation charge	-	(39)	(149)	(2)	(190)
Closing net book amount at 31 December 2022	**3,001**	**13**	**570**	**180**	**3,764**
At 31 December 2022					
Cost	**3,001**	**61**	**2,510**	**691**	**6,263**
Accumulated amortisation	**-**	**(48)**	**(1,940)**	**(511)**	**(2,499)**
Net book amount	**3,001**	**13**	**570**	**180**	**3,764**

Goodwill

On 1 March 2010, the Company acquired the Grigeo Investicijų Valdymas UAB group consisting of Grigeo Investicijų Valdymas UAB, Avesko UAB (in 2010, Avesko UAB was reorganised by merging it with Grigeo Klaipėda AB), Grigeo Klaipėda AB and Mena Pak AT.

A goodwill of EUR 3,001 thousand was recognised on the acquisition of these subsidiaries. The goodwill arose on expected synergies of the activities of the Group companies. Goodwill is not amortised but is tested annually for possible impairment.

For the purpose of impairment testing as at 31 December 2022 and 2021, goodwill was allocated to the Grigeo Klaipėda AB cash-generating unit. As at 31 December 2022 and 2021, the recoverable amount of the cash-generating unit was determined based on projected future discounted cash inflows according to the five-year financial forecasts approved by the management.

All amounts are in EUR thousands unless otherwise stated

7. Intangible assets (continued)

Forecasts as at 31 December 2022:

Revenue	Projected annual revenue growth (decrease), %				
2022	**2023**	**2024**	**2025**	**2026**	**2027**
68,800	(11.0)	5.8	(19.2)	0.5	0.5
Gross profit margin, %					
2022	**2023**	**2024**	**2025**	**2026**	**2027**
14.1	9.8	5.8	23.9	24.1	23.8

As a result of high rises in prices in 2022 caused by a significant increase in energy prices, decline in revenue in 2023 is projected. Decline in revenue in 2025 is related to a further decrease in the prices of energy resources, when more capacity of electricity generation will appear on the market.

Revenue	Projected annual revenue growth (decrease), %				
2021	**2022**	**2023**	**2024**	**2025**	**2026**
54,488	39.3	2.7	0.2	(0.3)	0.1
Gross profit margin, %					
2021	**2022**	**2023**	**2024**	**2025**	**2026**
18.2	24.4	22.6	22.9	22.8	22.4

Revenue was projected based on the management's assumptions as at 31 December 2022 and 31 December 2021, respectively, which forecast that future revenue will increase due to investments in the enhancement of operational efficiency of the production facilities and intensification of sales actions. As at 31 December 2022, projected investments for the upcoming period of 5 years amounted to EUR 2,072 thousand on average annually (31 December 2021: EUR 2,202 thousand). Expenses were projected in view of actual expenses taking into consideration the projected level of inflation. In 2022 and 2021, cash flows beyond the five-year period were extrapolated using a 1% annual growth rate that reflects the management's best estimate in view of the current situation in this industry. The discount rate used by the management for a specific cash-generating unit was calculated as a weighted average cost of capital which is equal to 9.5% after tax for the cash generating units located in Lithuania as at 31 December 2022 (as at 31 December 2021: 6.7%).

The calculation of the recoverable amount of the cash-generating unit as at 31 December 2022 and 2021 did not indicate any impairment of goodwill. The assessment was performed without taking into consideration the legal process described in Note 32 of the financial statements. With regard to the assessment of the recoverable amount of the above-mentioned cash-generating unit as at 31 December 2022 and 2021, the management believes that no possible change in any of the above key assumptions would cause the carrying amount of the cash-generating unit to materially exceed its recoverable amount.

The sensitivity analysis of the calculation of the recoverable amount of the investment in Grigeo Klaipėda AB shows the impact of change in the assumptions used in the impairment testing on the assessment result:

Changes in assumptions	Effect as at 31 December 2022 and 2021
Decrease in revenue and cost of sales for each forecast year by 10%	-
Decrease in gross profit margin by 500 basis points	-
Increase in discount rate by 100 basis points	-

Considering the above changes in the assumptions, no additional impairment indicators of goodwill were identified in the sensitivity analysis.

All amounts are in EUR thousands unless otherwise stated

7. Intangible assets (continued)

Company	Licences, patents	Software	Other assets	Total
At 1 January 2021				
Cost	**158**	**998**	**10**	**1,166**
Accumulated amortisation	**(86)**	**(641)**	**(9)**	**(736)**
Net book amount	**72**	**357**	**1**	**430**
Opening net book amount at 1 January 2021	**72**	**357**	**1**	**430**
Additions	11	27	23	61
Amortisation charge	(37)	(79)	(1)	(117)
Closing net book amount at 31 December 2021	**46**	**305**	**23**	**374**
At 31 December 2021				
Cost	**169**	**1,025**	**33**	**1,227**
Accumulated amortisation	**(124)**	**(720)**	**(9)**	**(853)**
Net book amount	**46**	**305**	**23**	**374**
Opening net book amount at 1 January 2022	**46**	**305**	**23**	**374**
Additions	6	-	121	127
Transfer from development work in progress to intangible assets	-	18	(18)	-
Amortisation charge	(39)	(80)	(2)	(121)
Closing net book amount at 31 December 2022	**13**	**243**	**124**	**380**
At 31 December 2022				
Cost	**64**	**1,039**	**135**	**1,238**
Accumulated amortisation	**(51)**	**(796)**	**(11)**	**(858)**
Net book amount	**13**	**243**	**124**	**380**

Amortisation expenses of intangible assets are included in the following line items of the statement of comprehensive income:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Cost of sales	166	182	97	117
Administrative expenses	18	-	18	-
Selling and distribution expenses	6	2	6	-
Total	**190**	**184**	**121**	**117**

All amounts are in EUR thousands unless otherwise stated

7. Intangible assets (continued)

A part of the Group's and the Company's intangible assets was fully amortised but still in use. Information by category of assets is presented below:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Licences, patents	7	15	7	15
Software	190	179	78	72
Other assets	520	520	-	-
Total	**717**	**714**	**85**	**87**

8. Investment property

Group	Buildings	Other assets	Construction work in progress and prepayments	Total
At 1 January 2021				
Cost	**2,266**	**-**	**516**	**2,782**
Accumulated depreciation	**(803)**	**-**	**-**	**(803)**
Net book amount	**1,463**	**-**	**516**	**1,979**
Opening net book amount at 1 January 2021	**1,463**	**-**	**516**	**1,979**
Additions	-	-	1,983	1,983
Reclassification from construction work in progress	2,171	-	(2,171)	-
Reclassification from property, plant and equipment	623	-	-	623
Depreciation charge	(168)	-	-	(168)
Closing net book amount at 31 December 2021	**4,089**	**-**	**328**	**4,417**
At 31 December 2021				
Cost	**5,203**	**-**	**328**	**5,531**
Accumulated depreciation	**(1,114)**	**-**	**-**	**(1,114)**
Net book amount	**4,089**	**-**	**328**	**4,417**
Opening net book amount at 1 January 2022	**4,089**	**-**	**328**	**4,417**
Additions	-	3	259	262
Reclassification from construction	251	-	(251)	-
Reclassification to property, plant and equipment	(21)	-	-	(21)
Depreciation charge	(247)	(1)	-	(248)
Closing net book amount at 31 December 2022	**4,072**	**2**	**336**	**4,410**
At 31 December 2022				
Cost	**4,963**	**2**	**336**	**5,301**
Accumulated depreciation	**(891)**	**-**	**-**	**(891)**
Net book amount	**4,072**	**2**	**336**	**4,410**

All amounts are in EUR thousands unless otherwise stated

8. Investment property (continued)

Company	Buildings	Other assets	Construction work in progress and prepayments	Total
At 1 January 2021				
Cost	**2,266**	**-**	**516**	**2,782**
Accumulated depreciation	**(803)**	**-**	**-**	**(803)**
Net book amount	**1,463**	**-**	**516**	**1,979**
Opening net book amount at 1 January 2021	**1,463**	**-**	**516**	**1,979**
Additions	-	-	1,983	1,983
Reclassification from construction in progress	2,171	-	(2,171)	-
Reclassification from property, plant and equipment	623	-	-	623
Depreciation charge	(168)	-	-	(168)
Closing net book amount at 31 December 2021	**4,089**	**-**	**328**	**4,417**
At 31 December 2021				
Cost	**5,203**	**-**	**328**	**5,531**
Accumulated depreciation	**(1,114)**	**-**	**-**	**(1,114)**
Net book amount	**4,089**	**-**	**328**	**4,417**
Opening net book amount at 1 January 2022	**4,089**	**-**	**328**	**4,417**
Additions	-	3	259	262
Reclassification from construction work in progress	251	-	(251)	-
Depreciation charge	(247)	(1)	-	(248)
Closing net book amount at 31 December 2022	**4,093**	**2**	**336**	**4,431**
At 31 December 2022				
Cost	**5,454**	**2**	**336**	**5,792**
Accumulated depreciation	**(1,361)**	**-**	**-**	**(1,361)**
Net book amount	**4,093**	**2**	**336**	**4,431**

As at 31 December 2022, the Group's and the Company's investment property (buildings) with the acquisition cost of respectively EUR 7 thousand and EUR 7 thousand (31 December 2021: EUR 7 thousand and EUR 7 thousand, respectively) was fully amortised but still in use.

There were no prepayments as at 31 December 2022 and 2021.

The were no commitments for the acquisition of investment property as at 31 December 2022 and 31 December 2021.

Investment property comprises the buildings and structures located at Popieriaus street 15 and Popieriaus street 25 in Naujieji Verkiai and the leased site at Vilniaus street 10 in Grigiškės. A part of the investment property (83% as at 31 December 2022 and 80% as at 31 December 2021 at the carrying amount) is leased to third parties. The lease term under the contracts is between 1 to 10 years. As at 31 December 2022, future annual revenue amounted to EUR 755 thousand (31 December 2021: EUR 492 thousand) in the period from 2023 to 2027. Depreciation expenses are included in administrative expenses.

Fair value measurement

The fair value of the investment property was measured based on the cash flows from the investment property for a 10-year period with reference to forecast revenue and expenses. Cash flows were calculated using a discount rate of 11% (in 2021 – 10%), a rental yield at the end of the assessed period was equal to 9% (in 2021 – 9%). According to the calculation, the fair value of the investment property is equal to EUR 4,507 thousand (31 December 2021: EUR 4,153 thousand).

All amounts are in EUR thousands unless otherwise stated

8. Investment property (continued)

The fair value measurement of investment property does not include construction work in progress and prepayments. Based on the estimate of the management of the Group, the carrying amount of construction work in progress and prepayments approximates their fair value.

The sensitivity of the value measurement considering reasonably possible changes in the discount rate and the rental yield is presented below:

	At 31 December 2022	At 31 December 2021
Change in the discount rate (+100 basis points)	4,207	3,857
Change in the discount rate (-100 basis points)	4,838	4,480
Change in the rental yield (+100 basis points)	4,157	3,810
Change in the rental yield (-100 basis points)	4,944	4,580

9. Inventories

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Materials	7,476	6,593	2,483	1,690
Work in progress	2,567	1,838	1,826	1,169
Finished products	7,756	5,600	3,807	1,880
Inventories in transit	1,911	289	1,809	38
Prepayments	254	108	61	19
Total	**19,963**	**14,428**	**9,985**	**4,796**

As at 31 December 2022, the acquisition value (cost) of the Group's and the Company's inventories was decreased by respectively EUR 943 thousand and EUR 338 thousand (31 December 2021: EUR 776 thousand and EUR 298 thousand, respectively) to net realisable value. The net realisable value adjustment was accounted for under cost of sales.

In 2022, inventories of EUR 135 million (2021: EUR 97 million) for the Group and inventories of EUR 67 million (2021: EUR 46 million) for the Company were included in cost of sales.

As described in the Note 13, as at 31 December 2022, the inventories of the Group and the Company were not pledged to secure repayment of bank borrowings. As at 31 December 2021, the Group and the Company had pledged inventories with a carrying amount of respectively EUR 1,158 thousand and EUR 1,158 thousand as security for bank borrowings.

All amounts are in EUR thousands unless otherwise stated

10. Trade and other amounts receivable

	Group		Company	
	At 31 December 2022	**At 31 December 2021**	**At 31 December 2022**	**At 31 December 2021**
Trade receivables – gross	22,333	19,217	12,287	8,184
Loss allowance	(86)	(146)	(72)	(72)
Trade receivables – net	**22,247**	**19,071**	**12,215**	**8,112**
Amounts receivable from related parties (Note 30)	-	-	3,005	1,294
Amount receivable of the recovery of a part of the PSO* service fee	141	900	49	314
VAT receivable	1,277	2,040	200	551
Other amounts receivable – gross	242	332	140	244
Total trade and other amounts receivable – net	**23,907**	**22,343**	**15,609**	**10,515**
Of which:				
Non-current amounts receivable	**3**	**3**	**-**	**-**
Current amounts receivable	**23,904**	**22,340**	**15,609**	**10,515**

*PSO – services under public service obligation scheme.

As disclosed in Note 13, as at 31 December 2022 and at 31 December 2021, the Company and subsidiaries Grigeo Packaging UAB and Grigeo Baltwood UAB had pledged future inflows to secure the repayment of bank borrowings.

11. Cash and cash equivalents

	Group		Company	
	At 31 December 2022	**At 31 December 2021**	**At 31 December 2022**	**At 31 December 2021**
Cash at bank	14,840	12,443	7,544	818
Cash on hand	-	-	-	-
TOTAL	**14,840**	**12,443**	**7,544**	**818**

As at 31 December 2022, cash held in bank accounts amounting to EUR 8,363 thousand (2021: EUR 1,052 thousand) for the Group and EUR 7,463 thousand (2021: EUR 641 thousand) for the Company was pledged as collateral against borrowings as further described in Note 13. As at 31 December 2022 and 2021, there were no restrictions on the use of cash balances held in the pledged bank accounts.

12. Authorised share capital and reserves

Authorised share capital

Date	Type of shares	Securities' ISIN code	Number of shares, units	Par value, EUR	Total par value, EUR
Until 18/05/2021	Ordinary registered shares	LT0000102030	65,700,000	0.29	19,053,000
From 19/05/2021	Ordinary registered shares	LT0000102030	131,400,000	0.29	38,106,000

Based on the decision of the Ordinary General Meeting of the Shareholders of the Company that was held on 30 April 2021, the Company's authorised share capital was increased on 19 May 2021 out of the Company's retained earnings from EUR 19,053 thousand to EUR 38,106 thousand by issuing 65,700,000 ordinary registered shares with a nominal value of EUR 0.29 each.

All the shares of the Company have been fully paid up. The Company does not have any other categories of shares than ordinary shares mentioned above. The Company's Articles of Association do not establish any restrictions on rights to shares or special control rights for the shareholders. The Company and its subsidiaries do not hold the Company's shares. The Company has not issued any convertible securities, exchangeable securities or guarantee securities, neither has unfulfilled acquisition rights or commitments to increase share capital as at 31 December 2022 and 2021.

All amounts are in EUR thousands unless otherwise stated

12. Authorised share capital and reserves (continued)

Share premium

The Company's authorised share capital was increased after the additional issue of shares with the total nominal value of EUR 1,650,834 in accordance with the decisions of the Ordinary General Meeting of the Shareholders of the Company held on 26 April 2013. The nominal value per share is EUR 0.29, while the shares were issued for EUR 0.51 per share. Share premium is the difference between the issue price and the nominal value of shares, less expenses related to the issue of shares.

Reserves

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of at least 5% of profit to be appropriated calculated in accordance with the accounting principles established by laws are required until the reserve reaches 10% of the authorised share capital. In accordance with the procedure prescribed by the laws, the reserve can be used to cover the company's losses.

Following the authorised share capital increase, the Company's legal reserve represents 5.4% of the authorised share capital as at 31 of December 2022 (31 December 2021: 5%).

The foreign currency translation reserve arises from exchange differences that occur on consolidation of the financial statements of the foreign subsidiary (Note 2.4).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges that will be subsequently recognised in the statement of comprehensive income.

On 29 April 2022, the General Meeting of Shareholders adopted the decision on the appropriation of the profit of the Company and the allocation of EUR 500 thousand to the reserve for granting own shares. On17-22 June 2022, the Company concluded the option agreements with the senior management employees of the Group and the Company for the possibility to acquire 1,660,000 units of the Company's shares for no consideration upon a full implementation of all conditions specified in the agreements on the share option programme.

Reserve for granting own shares	Number of shares, thousands of units	Value
At 1 January 2022	**-**	**-**
Share options to employees at 31 December 2022	1,660	481
Unallocated shares at 31 December 2022	64	19
At 31 December 2022	**1,724**	**500**

During 2022, the Group and the Company recognised remuneration expenses of EUR 165 thousand and EUR 90 thousand, respectively, as part of the cost of the share option programme..

Dividends

During the Ordinary General Meeting of Shareholders of the Company held in 2022, a decision was made to allocate dividends equal to EUR 0.05 per share (Note 27) (in 2021 dividends equal to EUR 0.06 per share were allocated).

13. Borrowings

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Non-current borrowings:				
Bank borrowings	4,644	864	1,868	175
	4,644	**864**	**1,868**	**175**
Current borrowings:				
Bank borrowings	2,363	2,094	989	1,380
	2,363	**2,094**	**989**	**1,380**
TOTAL	**7,007**	**2,958**	**2,857**	**1,555**

All amounts are in EUR thousands unless otherwise stated

13. Borrowings (continued)

Movements in bank borrowings during the year are presented in the table below:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Opening balance	**2,958**	**7,630**	**1,555**	**2,837**
Proceeds from borrowings	6,246	1,731	2,600	1,000
Repayments	(2,197)	(6,403)	(1,298)	(2,282)
Interest charged	93	62	51	25
Interest paid	(93)	(62)	(51)	(25)
Closing balance	**7,007**	**2,958**	**2,857**	**1,555**

Borrowings outstanding at the year-end by currency:

	Group		Company	
	2022	2021	2022	2021
EUR	7,007	2,958	2,857	1,555
TOTAL	**7,007**	**2,958**	**2,857**	**1,555**

The unwithdrawn balance under the credit agreements amounted to EUR 28 thousand for the Group and EUR 20 thousand for the Company as at 31 December 2022 (31 December 2021: EUR 5,802 thousand and EUR 3,715 thousand, respectively).

Compliance with loan covenants

The Company's borrowings

Under the loan and overdraft agreements, the Group and the Company must comply with certain financial and non-financial covenants, such as: debt service coverage ratio, the Company's EBITDA to financial liabilities ratio, equity to the Company's liability ratio, free cash flow indicator. The Company and its certain subsidiaries are also required to conduct a certain number of settlements through the bank that provided the loan.

Indicators of the Company's borrowings:

Indicator	Established ratio	Indicators of the Group		Indicators of the Company	
		At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Borrowings/EBITDA	< 3.0	(0.37)	(0.40)	(0.46)	(0.12)
Debt service coverage ratio (DSCR)	> 1.2	8.83	3.59	7.24	2.50

As at 31 December 2022 and 31 December 2021, the Company complied with all financial and non-financial requirements established in the bank agreements.

Loans received by the subsidiaries

As at 31 December 2022, the subsidiaries complied with all financial and non-financial requirements established in the bank agreements.

Interest rates

As at 31 December 2022 and 31 December 2021, the Company's and the Group's borrowings were subject to variable interest rates. They are linked with the EURIBOR interest rate base and with the margin agreed with the bank. In 2022 and 2021, the period of re-pricing variable interest rates on borrowings ranged from 3 to 6 months.

The weighted average interest rate applicable to the Group's and the Company's bank borrowings is presented in the table below:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Weighted average interest rate	**3.78%**	**1.55%**	**3.72%**	**1.51%**

All amounts are in EUR thousands unless otherwise stated

13. Borrowings (continued)

Pledged assets

The Group and the Company have pledged to the banks property, plant and equipment (Note 5), right-of-use assets (Note 6), inventories (Note 9), cash balances in bank accounts (Note 11) and future inflows (Note 10) as security for borrowings.

14. Lease liabilities

	Group		Company	
	2022	2021	2022	2021
Non-current	3,477	3,177	1,017	1,259
Current	408	360	331	320
TOTAL	**3,885**	**3,537**	**1,348**	**1,579**

The assets leased by the Group and the Company under lease contracts comprised motor vehicles, equipment, and lease of premises and land. The lease terms of the lease contracts: between 8 and 79 years for the lease of land; between 2 and 3 years for the lease of buildings; and between 1 and 4 years for the lease of machinery and equipment. The lease contracts are denominated in the euros.

Movements in liabilities related to lease over the year are provided in the table below:

	Group		Company	
	2022	2021	2022	2021
Balance at 1 January	**3,537**	**3,674**	**1,579**	**1,864**
New lease liabilities	863	331	110	56
Interest charged	146	124	56	65
Lease payments	(574)	(534)	(380)	(377)
Lease terminations	(87)	(58)	(17)	(29)
Balance at 31 December	**3,885**	**3,537**	**1,348**	**1,579**

The Group's and the Company's lease liabilities are secured by right-of-use assets (Note 6).

15. Grants

	Group	Company
Balance at 1 January 2021	**1,147**	**970**
Amortisation charge	(208)	(159)
Balance at 31 December 2021	**939**	**811**
Amortisation charge	(156)	(133)
Balance at 31 December 2022	**783**	**678**

The grants consist of the support received from the EU funds for the construction of structures, acquisition of machinery and equipment (non-current assets).

No agreements were signed in 2022 and 2021.

Amortisation of grants is recognised in the statement of comprehensive income within the cost of sales and reduces depreciation expenses of the related assets.

16. Long-term employee benefits

As at 31 December 2022 and 2021, the Group and the Company accounted for long-term employee benefits for employees leaving the Group or the Company after reaching the retirement age. Expenses related to the accounting for these liabilities are included in the statement of comprehensive income.

	Group	Company
At 1 January 2021	**191**	**86**
Change during the year 2021	(18)	(15)
At 31 December 2021	**173**	**71**
Change during the year 2022	75	32
At 31 December 2022	**248**	**103**

Actuarial gains and losses during 2022 and 2021 were insignificant, therefore they were not separately disclosed in other comprehensive income.

All amounts are in EUR thousands unless otherwise stated

16. Long-term employee benefits (continued)

The main assumptions applied in evaluating the Group's and the Company's long-term employee benefits are as follows:

	At 31 December 2022	At 31 December 2021
Discount rate	2.88%	0.16%
Expected annual salary growth rate	5%	5%

17. Trade and other amounts payable

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Trade payables	25,979	25,270	15,039	12,614
Wages and salaries and social security contributions	3,328	3,224	1,508	1,236
Advance amounts received	325	187	83	29
Accrued expenses	723	332	92	47
Other amounts payable	1,485	1,355	827	603
TOTAL	**31,840**	**30,368**	**17,549**	**14,529**
Of which:				
Attributable to financial liabilities (Note 3)	28,187	26,957	15,958	13,264
Not attributable to financial liabilities	3,653	3,411	1,591	1,265

18. Segment information

Segment reporting

For decision making purposes, the Group is organised into three operating business units based on its products produced and has three reportable segments: paper and paper products, wood fibreboards and wood products, raw materials for corrugated cardboard and related products. The Group analyses segment information only up to gross profit, as other operating income and finance income and expenses are not attributed to any segment. Assets and liabilities of the Group are not divided into segments for decision-making purposes. However, information about property, plant and equipment and intangible assets, investment property and right-of-use assets is disclosed according to the segments.

Segment information about these three business segments is presented below:

Group 2022	Paper and paper products	Woodfibre boards	Raw materials for corrugated cardboard and related products	Total reportable segments	Unallocated	Elimination	TOTAL
Sales	77,718	27,652	92,953	198,323	4,886	-	203,209
Inter-segment sales	(6,743)	(1,070)	(30,488)	(38,301)	(10,059)	48,360	-
Unconsolidated segment sales	84,462	28,722	123,440	236,624	14,945	(48,360)	203,209
Cost of sales	(66,652)	(25,347)	(76,176)	(168,175)	(4,189)	-	(172,364)
Gross profit	**11,066**	**2,305**	**16,777**	**30,148**	**697**	**-**	**30,845**
Depreciation and amortisation	3,400	747	4,417	8,564	834	-	9,398
Property, plant and equipment of the segment	24,505	6,063	37,299	67,867	3,327	-	71,194
Intangible assets of the segment	292	9	370	671	92	-	763
Investment property of the segment	-	-	-	-	4,410	-	4,410
Right-of-use assets of the segment	280	872	2,086	3,238	1,039	-	4,277
Goodwill	-	-	3,001	3,001	-	-	3,001
Investments of the segment	1,507	1,868	4,938	8,313	668	-	8,981

All amounts are in EUR thousands unless otherwise stated

18. Segment information (continued)

Group 2021	Paper and paper products	Woodfibre boards	Raw materials for corrugated cardboard and related products	Total reportable segments	Unallocated	Elimination	TOTAL
Sales	60,662	20,728	78,727	160,117	3,098	-	163,215
Inter-segment sales	(5,471)	(836)	(26,884)	(33,191)	(6,064)	39,255	-
Unconsolidated segment sales	66,133	21,564	105,610	193,307	9,163	(39,255)	163,215
Cost of sales	(51,041)	(16,224)	(59,588)	(126,853)	(2,804)	-	(129,657)
Gross profit	**9,621**	**4,504**	**19,139**	**33,264**	**294**	**-**	**33,558**
Depreciation and amortisation	3,817	742	4,713	9,272	801	-	10,073
Property, plant and equipment of the segment	26,189	4,929	36,965	68,083	3,481	-	71,564
Intangible assets of the segment	276	1	136	413	99	-	512
Investment property of the segment	-	-	-	-	4,417	-	4,417
Right-of-use assets of the segment	169	888	1,888	2,945	1,024	-	3,969
Goodwill	-	-	3,001	3,001	-	-	3,001
Investments of the segment	5,060	2,493	3,011	10,564	2,340	-	12,904

[1] Unallocated sales comprise sales not attributable to either of the listed segments, mainly, sales of heating energy (steam) (as the Company has its own steam house) and sales of other utilities.
[2] Unallocated cost of sales comprises cost related to unallocated sales, mainly, the cost of wood and gas necessary for the energy generation.
[3] Unallocated depreciation and amortisation, property, plant and equipment, investment property, intangible assets and capital expenditure are related to sales of thermal energy and other utilities.

Breakdown by region

The following table shows a breakdown of revenue by region for the year ended 31 December:

	Group		Company	
	2022	2021	2022	2021
Domestic market (Lithuania)	74,115	55,326	36,647	22,294
European Union	110,003	86,504	50,581	40,339
Other countries	18,055	9,585	2,946	3,335
CIS countries	1,036	11,800	283	1,623
TOTAL	**203,209**	**163,215**	**90,457**	**67,591**

Breakdown of property, plant and equipment, intangible assets, right-of-use assets and investment property by geographical location:

	Group		Company	
	2022	2021	2022	2021
Lithuania	82,751	82,297	33,121	35,345
Latvia	379	381	-	-
Ukraine	515	785	-	-
TOTAL	**83,645**	**83,463**	**33,121**	**35,345**

All amounts are in EUR thousands unless otherwise stated

19. Cost of sales

	Group		Company	
	2022	2021	2022	2021
Raw materials and consumables	88,994	72,674	47,288	36,455
Energy	46,313	23,674	19,475	9,496
Wages and salaries and social security contributions	17,259	15,853	6,375	5,547
Other expenses	11,309	8,266	3,088	3,228
Depreciation and amortisation of non-current assets, including grants	8,489	9,190	3,368	3,806
TOTAL	**172,364**	**129,657**	**79,594**	**58,532**

20. Selling and distribution expenses

	Group		Company	
	2022	2021	2022	2021
Fuel and transport services	11,096	8,512	3,421	3,006
Wages and salaries and social security contributions	2,588	2,448	1,309	1,137
Other selling expenses	622	516	208	173
Property maintenance and servicing	258	207	125	108
Depreciation and amortisation of non-current assets	167	172	326	322
Intermediation, marketing, advertising and representation	115	324	108	249
TOTAL	**14,846**	**12,179**	**5,497**	**4,995**

21. Administrative expenses

	Group		Company	
	2022	2021	2022	2021
Wages and salaries and social security contributions	4,002	3,799	1,683	1,496
Property maintenance and servicing	772	433	523	324
Taxes (other than income tax)	675	596	236	164
Depreciation and amortisation of non-current assets	587	503	421	352
Legal services	553	610	9	39
Social expenses	525	278	198	96
Security services	368	341	44	39
Insurance services	359	211	125	74
Consultation services	330	244	50	90
Support	292	180	64	24
Audit services	163	140	67	55
Advertising and representation	112	236	36	34
Personnel training and recruitment expenses	71	113	34	57
Fuel and transport services	66	40	26	18
Bonuses and other similar payments	48	66	48	66
Expenses for the listing of securities and related expenses	40	39	40	39
Impairment of doubtful amounts receivable/(reversal of impairment)	(1)	(3)	-	-
Other administrative expenses	417	308	209	109
TOTAL	**9,379**	**8,134**	**3,813**	**3,076**

During 2022, audit services provided to the Group and the Company by audit firm PricewaterhouseCoopers UAB under the audit agreements amounted to respectively EUR 136 thousand and EUR 47 thousand (2021: EUR 104 thousand and EUR 40 thousand, respectively); non-audit services provided amounted to respectively EUR 11 thousand and EUR 6 thousand (2021: EUR 11 thousand and EUR 6 thousand, respectively).

22. Other income

	Group		Company	
	2022	2021	2022	2021
Rental income	636	423	649	437
Dividend income	-	-	11,300	1,500
TOTAL	**636**	**423**	**11,949**	**1,937**

In 2022, the Company received dividends of EUR 1,000 thousand from Grigeo Baltwood UAB, dividends of EUR 400 thousand from Grigeo Recycling UAB, dividends of EUR 9,900 thousand from Grigeo investicijų valdymas UAB. In 2021, the Company received dividends of EUR 1,500 thousand from Grigeo Baltwood UAB.

All amounts are in EUR thousands unless otherwise stated

23. Other gains/(losses) – net

	Group		Company	
	2022	**2021**	**2022**	**2021**
Net gain from turnover of emission allowances	4,662	110	3,602	(52)
Result of disposal of assets	188	89	171	28
Other gain/(losses)	10	(6)	46	60
TOTAL	**4,860**	**193**	**3,819**	**36**

24. Finance income and costs

	Group		Company	
	2022	**2021**	**2022**	**2021**
Interest income	15	7	3	-
Foreign exchange gain – net	-	-	-	-
Other finance income	7	27	-	4
Total finance income	**22**	**34**	**3**	**4**
Interest on loans and lease	(244)	(194)	(111)	(91)
Foreign exchange loss – net	(47)	(38)	(1)	-
Default charges	(168)	(28)	(53)	(2)
Total finance costs	**(459)**	**(260)**	**(165)**	**(93)**
Net finance costs	**(437)**	**(226)**	**(162)**	**(89)**

Capitalisation of interest on loans and lease

In 2022, interest of EUR 42 thousand for the Group and interest of EUR 5 thousand for the Company were capitalised. No interest was capitalised in 2021.

25. Income tax and deferred income tax

Income tax expense components:	Group		Company	
	2022	**2021**	**2022**	**2021**
Current year income tax	800	787	204	-
Adjustments to previous year income tax	(66)	(39)	-	(34)
Deferred income tax (benefit)	324	502	565	(310)
Income tax expenses recognised in the statement of comprehensive income	**1,058**	**1,250**	**770**	**(344)**

The amount of income tax expenses attributable to the operating result for the year can be reconciled against the amount of income tax expenses that would result from applying the statutory income tax rate to profit before income tax:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Profit before income tax	**11,679**	**13,635**	**17,159**	**2,872**
Income tax expenses calculated at the tax rate of 15%	1,752	2,046	2,574	431
Effect of a higher income tax rate applied in Ukraine	1	22	-	-
Effect of a tax rate due to taxation in Latvia	(20)	(28)	-	-
Effect of investment relief	(173)	(849)	(125)	(523)
Support	(24)	(10)	(19)	(7)
Adjustments of income tax in respect of prior periods	(66)	(36)	-	(31)
Non-allowable deductions	(398)	113	40	16
Income not subject to tax	(14)	(8)	(1,700)	(230)
Income tax expenses recognised in the statement of comprehensive income	**1,058**	**1,250**	**770**	**(344)**

All amounts are in EUR thousands unless otherwise stated

25. Income tax and deferred income tax (continued)

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Deferred income tax assets				
Decrease in net realisable value of amounts receivable	12	20	11	11
Investment relief	575	409	-	366
Write-downs of inventories to net realisable value	142	116	51	45
Long-term employee benefits	37	26	15	11
Vacation reserve	210	196	107	95
Right-of-use assets and liabilities	9	9	9	7
Tax losses carried forward	-	-	-	-
Other accruals	21	-	13	-
Grants	71	69	71	69
Deferred income tax assets	**1,077**	**845**	**277**	**604**
Less: unrecognised part	(11)	(11)	(11)	(11)
Deferred income tax assets – net	**1,066**	**834**	**266**	**593**
Deferred income tax liability				
Property, plant and equipment	(1,969)	(1,413)	(708)	(470)
Deferred income tax liability	**(1,969)**	**(1,413)**	**(708)**	**(470)**
Deferred income tax – net	**(903)**	**(579)**	**(442)**	**123**

The Group's deferred income tax assets and liabilities were offset at the amount which is related to the same tax administration authority and the same taxable entity.

Movements in the Group's deferred income tax differences before and after tax were as follows:

Group	At 31 December 2020	Change	At 31 December 2021	Change	At 31 December 2022
Non-current assets	(1,127)	(286)	(1,413)	(556)	(1,969)
Investment relief	403	6	409	166	575
Long-term employee benefits	29	(3)	26	11	37
Decrease in net realisable value of amounts receivable	23	(3)	20	(8)	12
Write-downs of inventories to net realisable value	60	56	116	26	142
Vacation reserve	182	14	196	14	210
Right-of-use assets and liabilities	11	(2)	9	-	9
Tax losses carried forward	311	(311)	-	-	-
Grants	38	31	69	2	71
Other	4	(4)	-	21	21
Total deferred income tax	**(66)**	**(502)**	**(568)**	**(324)**	**(892)**
Unrecognised part	(11)	-	(11)	-	(11)
Deferred income tax – net	**(77)**	**(502)**	**(579)**	**(324)**	**(903)**

As at 31 December 2022, the amount of the Group's unrecognised deferred income tax equal to EUR 11 thousand was related to decrease in net realisable value of amounts receivable. As at 31 December 2021 and 31 December 2020, this amount was equal to EUR 11 thousand.

All amounts are in EUR thousands unless otherwise stated

25. Income tax and deferred income tax (continued)

Movements in the Company's deferred income tax differences before and after tax were as follows:

Company	At 31 December 2020	Recognised in the statement of comprehensive income	At 31 December 2021	Recognised in the statement of comprehensive income	At 31 December 2022
Property, plant and equipment	(353)	(117)	(470)	(238)	(708)
Investment relief	-	366	366	(366)	-
Long-term employee benefits	13	(2)	11	4	15
Decrease in net realisable value of amounts receivable	11	-	11	-	11
Write-downs of inventories to net realisable value	25	20	45	6	51
Vacation reserve	86	9	95	12	107
Grants	38	31	69	2	71
Right-of-use assets and liabilities	4	3	7	2	9
Other	-	-	-	13	13
Total deferred income tax	**(176)**	**310**	**134**	**(565)**	**(431)**
Unrecognised part	11	-	11	-	11
Deferred income tax – net	**(187)**	**310**	**123**	**(565)**	**(442)**

Deferred income tax assets and liabilities related to the companies operating in Lithuania were accounted for at a rate of 15% in 2022 and 2021. Deferred taxes related to the company operating in Ukraine were calculated at a rate of 18% in 2022 and 2021. Deferred income tax assets arising from the investment relief can be realised by the companies operating in Lithuania over the current and subsequent four years.

26. Basic and diluted earnings per share

Earnings per share are calculated by dividing the net profit attributable to the shareholders by the annual number of ordinary shares issued and paid. Diluted earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary shares and share options. The calculation of the basic and diluted earnings per share is presented below:

	Group		Company	
	2022	2021	2022	2021
Net profit for the year attributable to the Company's shareholders	10,525	12,266	16,389	3,216
Number of ordinary shares	131,400,000	131,400,000	131,400,000	131,400,000
Share options	885,425	885,425	885,425	885,425
Weighted average number of ordinary shares	132,285,425	132,285,425	132,285,425	132,285,425
Earnings per share (in EUR)	**0.080**	**0.093**	**0.125**	**0.024**
Diluted earnings per share (in EUR)	**0.080**	**0.093**	**0.124**	**0.024**

27. Dividends per share

	2022	2021
Allocated dividends	6,570	7,884
Number of shares	131,400,000	131,400,000
Allocated dividends per share (in EUR)	**0.05**	**0.06**

28. Adjusted EBITDA

The management of the Group and the Company calculate the adjusted EBITDA – they monitor this performance indicator both at the consolidated level and at the individual company level. The management believes that this indicator is important for understanding the Group's and the Company's financial performance. The adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation, impairment losses/reversals related to goodwill, intangible assets, property plant and equipment. The calculation also includes amortisation of subsidies related to non-current assets which affects the profit for the period.

All amounts are in EUR thousands unless otherwise stated

28. Adjusted EBITDA (continued)

The adjusted EBITDA as a performance indicator is not established by IFRS. The Group's definition of the adjusted EBITDA may not match with similarly named performance indicators and disclosures of other entities.

	Group		Company	
	2022	2021	2022	2021
Profit for the period	**10,621**	**12,385**	**16,389**	**3,216**
Income tax	1,058	1,250	770	(344)
Profit before income tax	**11,679**	**13,635**	**17,159**	**2,872**
Adjustment:				
Finance costs – net (Note 24)	437	226	162	89
Dividends received (Note 22)	-	-	(11,300)	(1,500)
Depreciation* (Notes 5 and 8)	8,730	9,454	3,792	4,194
Amortisation (Notes 6 and 7)	667	619	455	444
Amortisation of grants (Note 15)	(156)	(208)	(133)	(158)
Adjusted EBITDA	**21,357**	**23,726**	**10,135**	**5,941**

*Depreciation expenses decreased in 2022 mainly due to revised useful lives of the items of property, plant and equipment.

29. Financial instruments by category

Group	Notes	At 31 December 2022	At 31 December 2021
Financial assets at amortised cost			
Trade receivables	10	22,247	19,071
Other amounts receivable	10	383	1,232
Cash and cash equivalents	11	14,840	12,443
Total financial assets at amortised cost		**37,470**	**32,746**
Financial liabilities at amortised cost			
Borrowings	13	7,007	2,958
Lease liabilities	14	3,885	3,537
Trade payables	17	25,979	25,270
Other amounts payable	17	2,208	1,687
Total financial liabilities at amortised cost		**39,079**	**33,452**

Company	Notes	At 31 December 2022	At 31 December 2021
Financial assets at amortised cost			
Trade receivables	10	12,215	8,112
Amounts receivable from related parties	10	3,005	1,294
Other amounts receivable	10	189	558
Cash and cash equivalents	11	7,544	818
Total financial assets at amortised cost		**22,953**	**10,782**
Financial liabilities at amortised cost			
Borrowings	13	2,857	1,555
Lease liabilities	14	1,348	1,579
Trade payables	17	14,434	12,013
Trade payable to related parties	17	605	601
Other amounts payable	17	919	650
Total financial liabilities at amortised cost		**20,163**	**16,398**

Risks associated with the financial instruments relevant to the Company and the Group are disclosed in Note 3.

All amounts are in EUR thousands unless otherwise stated

30. Related-party transactions

The Group's related parties are as follows:

– Companies having significant influence – Ginvildos Investicija UAB – the main shareholder of Grigeo AB;

– Other related parties – the companies related to the members of the Supervisory Board (transactions were conducted with the following companies: Didma UAB and Statybų Namai UAB, Elnorma UAB).

The Company's related parties are as follows:

- Companies having significant influence – Ginvildos Investicija UAB – the main shareholder of the Company;
- Subsidiaries – subsidiaries of Grigeo AB (the list of the subsidiaries is presented in Note 1);
- Other related parties – the companies related to the members of the Supervisory Board (transactions were conducted with the following companies: Didma UAB and Statybų Namai UAB, Elnorma UAB).

Transactions with the related parties comprise regular sales and purchases of goods and services related to the Company's activity.

As at 31 December 2022 and 2021, there were no guarantees or pledges given or received in respect of the related-party payables and receivables at the Group.

At the date of the issue of these financial statements, the Company had provided the letter to Grigeo Klaipėda AB confirming that it had assumed the obligation to grant financial support to Grigeo Klaipėda AB, if a need arises, for the next 12 months from the date of the letter.

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

Related-party payables and receivables are subject to the same terms and conditions that are applicable to payables/receivables to/from the external customers/suppliers.

Group (the year 2022)	Sales of goods and services	Purchases of goods and services	Amounts receivable	Amounts payable
Companies having significant influence	-	12	-	-
Other related parties	3	-	-	-
TOTAL	**3**	**12**	**-**	**-**

Group (the year 2021)	Sales of goods and services	Purchases of goods and services	Amounts receivable	Amounts payable
Companies having significant influence	-	14	-	2
Other related parties	2	-	-	-
TOTAL	**2**	**14**	**-**	**2**

Company (the year 2022)	Sales of goods and services	Purchases of goods and services	Amounts receivable*	Amounts payable**
Companies having significant influence	-	8	-	-
Subsidiaries	10,742	8,473	3,005	605
Other related parties	1	-	-	-
TOTAL	**10,743**	**8,481**	**3,005**	**605**

Company (the year 2021)	Sales of goods and services	Purchases of goods and services	Amounts receivable*	Amounts payable**
Companies having significant influence	-	10	-	2
Subsidiaries	6,094	7,654	1,294	601
Other related parties	-	-	-	-
TOTAL	**6,094**	**7,664**	**1,294**	**603**

* Amounts receivable comprise prepayments for good, services and loans granted.
** Amounts payable also comprise loans received from the subsidiaries.

All amounts are in EUR thousands unless otherwise stated

30. Related-party transactions (continued)

Key management personnel compensation

Compensation calculated to the key management personnel for the year ended 31 December:

	Group		Company	
	2022	2021	2022	2021
Key management personnel compensation	1,431	1,280	699	654
Average annual number of management personnel	11	11	5	5

In 2022 and 2021, no loans, guarantees or any other benefits were paid or calculated, nor any assets were transferred to the Company's key management personnel. Bonuses paid by the Company to the Supervisory Board totalled EUR 18 thousand in 2022. In 2021, bonuses of EUR 36 thousand were paid.

Shares (directly and indirectly held ownership interest) and job positions held by the Group's and the Company's key management personnel at the Company are disclosed below:

Full name	Job position	Percentage of share capital and voting rights held at the Company, %
Gintautas Pangonis	President	46.28
Vigmantas Kažukauskas	Vice-President for Business Development	0.88
Saulius Martinkevičius	Vice-President for Purchase and Logistics	0.23
Tomas Jozonis	Managing Director	-

31. Contingent liabilities

<u>Taxes</u>

The Tax Authorities have not carried out a full-scope tax audit at the Group companies. The Tax Authorities may inspect accounting, transaction and other documents, accounting records and tax returns for the current and previous 3 calendar years at any time, and in certain cases, for the current and previous 5 or 10 calendar years and impose additional taxes and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in respect of taxes not paid.

<u>Legal processes</u>

A claim has been filed against Grigeo Klaipėda AB, subsidiary of Grigeo AB, regarding compensation for damage caused to the environment. In the management's opinion, numerous uncertainties exist in relation to the outcome of the claim (Note 32).

32. Legal processes

Background information

In 2021, the pre-trial investigation regarding wastewater management by Grigeo Klaipėda AB, subsidiary of Grigeo AB (hereinafter the "Subsidiary"), was completed by the Klaipėda District Prosecutor's Office of the Klaipėda Regional Prosecutor's Office (hereinafter the "Prosecutor's Office") and the criminal case was referred to the Šiauliai Regional Court. The Subsidiary is charged in the criminal case under Articles 270(2), 228(2) and 300(3) of the Criminal Code of the Republic of Lithuania. The Subsidiary is suspected of its actions related to improper operation of its wastewater treatment plant (hereinafter the "WWTP") during the period from 1 January 2012 to 13 February 2020 when partially biologically treated wastewater would be discharged through the treated wastewater collector of municipal company Klaipėdos Vanduo AB to the Curonian Lagoon. The trial of the case has begun in September 2022.

According to the Prosecutor's Office's indictment act of 31 December 2021 in the criminal case No 04-2-00154-19, (hereinafter the "Indictment Act"), the Subsidiary abused the office, forged documents and violated the legal acts in order to seek material gain (to avoid a pollution tax in the amount of at least EUR 37,863,706) and caused significant damage to the environment. No claim has been brought against the Subsidiary for unpaid related taxes.

The Environmental Protection Department filed a civil claim against the Subsidiary regarding the compensation for material damage caused to the environment in the criminal case in the amount of EUR 48,257,676.57.

The Subsidiary is not denying its legal liability and it expressed its standpoint in writing to the Prosecutor's Office that it was and still is prepared to compensate for the objectively calculated damage if such damage is to be determined on the basis of unbiased expert calculations.

32. Legal processes (continued)

In the event of environmental damage, if such proved, the Subsidiary is under an obligation to instantly take all necessary actions to ensure immediate control of pollutants and/or other harmful agents in order to reduce or prevent greater damage to the environment and adverse effects on, or further deterioration of human health. The Subsidiary is ready to implement the plan of environmental remedial measures as soon as possible with the aim of restoring the original condition of the environment and compensating for the damage that it has caused, objectively determined and proceeding from unbiased expert calculations.

Scientific research

In order to expedite the determination of the fact and scope of damage caused to the environment (the water of the Curonian Lagoon) the Subsidiary has organised on its own initiative a tender process in order to select international experts to assess potential environmental damage caused by the Subsidiary. As a result, a group of the expert organisations of the USA and Italian companies providing consultative expert services in the environmental area (i.e. TIG Environmental (leading expert Dr. Carlo Monti (the Italian scientist and the Executive Director of TIG Environmental Forensic Examination), Veritas Economic Consulting and Hydrodata S.p.A (hereinafter “TIG”)) was engaged in April 2020 to determine and calculate the damage to the water status of the Curonian Lagoon inflicted by the incriminated illicit activities of the Subsidiary. Prior to initiation of procedures for identification and selection of international experts, the Subsidiary approached the Prosecutor’s Office and the Environmental Protection Department with a proposal to cooperate in this respect, however, both of them refused to do so.

The TIG’s environmental assessment has been performed according to Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability regarding the prevention and remedying of environmental damage (hereinafter “Directive 2004/35/EC”) and according to the guideline published by the European Commission (European Commission, Eftec and Stratus Consulting, 2013) which provides specific guidelines for damage assessment. The guideline is in line with the principles of Directive 2004/35/EC which stipulate that compensatory remediation is carried out by compensating for the temporary loss of natural resources and / or functions until such resources and functions are restored. Such compensation is to consist of additional improvements to protected natural habitats and species or water, either in the damaged area or in an alternative area. Directive 2004/35/EC does not provide for punitive damages.

On 28 October 2020, TIG delivered the final report on the environmental damage assessment for the Curonian Lagoon which analysed the composition of the combined wastewaters of Grigeo Klaipėda AB and municipal company Klaipėdos Vanduo AB (because they get mixed before entering the Lagoon), their impact on the local environment, the biodiversity, the ecological condition of the Curonian Lagoon, and the landscape. During the assessment the above-mentioned monitoring data from the Environmental Protection Agency, municipal company Klaipėdos Vanduo AB, the Klaipėda Seaport Authority were used, a survey of the Curonian Lagoon’s condition performed by the University of Klaipėda, analysis results from the State Food and Veterinary Service as well as Grigeo Klaipėda AB’s wastewater test results rendered by the independent laboratories were taken into consideration.

TIG did not identify any significant damage to the water status of the Curonian Lagoon by the discharge of biologically partially untreated wastewater. In the worst-case scenario (if only 15% of the wastewaters were treated biologically in the Subsidiary’s WWTP) a very low ecological impact (i.e., not damage) from the releases of untreated wastewater could have been caused.

The TIG’s economics expert has developed an estimate of potential ecological service losses for the Curonian Lagoon for the purposes of the environmental damage assessment. As the loss in ecosystem service is related only to the superficial waters in the Klaipėda port area and in an area close to the outlet and is related only to the possible oxygen concentration (and saturation) reduction by maximum 16% at the outlet area, the expected costs of offsetting ecological impacts from the releases of untreated wastewater in the worst-case scenario has been estimated as unsignificant. Under the best-case scenario (if 90% of the wastewaters were treated biologically in the Subsidiary’s WWTP), there are no estimated resource losses or human-use service losses, and the potential costs of offsetting ecological impacts from the releases of untreated wastewater would be equal to EUR 0.

The plan of environmental restoration measures

On 26 June 2020, the Environmental Protection Department submitted to the Subsidiary the assessment of the ecological status or ecological potential and deterioration of chemical status of the surface water body – the Curonian Lagoon – performed by the Environmental Protection Agency and requested the Subsidiary to submit a plan of environmental restoration measures.

The Subsidiary submitted plans of environmental restoration measures several times and, when Environmental Protection Department did not approve them, revised them accordingly. On 6 December 2021, Environmental Protection Department decided to deny approval of the plan of environmental restoration measures submitted by the Subsidiary. The said decision was annulled by the Vilnius Regional Administrative Court on 18 October 2022. According to the court, legal consequences were caused by the disputed decision made by the Environmental Protection Department on 6 December 2021 - the Subsidiary was prevented from fulfilling its obligation to restore the state of the environment. The Environmental Protection Department submitted a complaint to the Supreme Administrative Court of Lithuania regarding the court decision of 18 October 2022.

32. Legal processes (continued)

On 3 February 2023, the Subsidiary has submitted a new version of the environmental restoration plan to the Environmental Protection Department requesting for approval of two environmental restoration/pollution removal measures - modernization of surface wastewater treatment facilities in the city of Klaipėda and cutting of reeds in the natural environment of the Curonian Lagoon. The aim of the said plan is to remove from the Curonian Lagoon the amount of pollutants incriminated in the Civil Claim against the Subsidiary.

Civil claim

On 3 March 2020, the Environmental Protection Department filed a civil claim against the Subsidiary for compensation of a EUR 3,982,184 damage caused to the environment in the pre-trial investigation case (the civil claim was received by the Subsidiary on 17 July 2020). On 26 January 2021, the Subsidiary received from the Prosecutor's Office a revised civil claim of the Environmental Protection Department regarding the compensation of a material damage caused to the environment in the criminal case in the amount of EUR 48,257,676.57. The amount of damage caused to the environment specified in the civil claim corresponds to the amount indicated in the Indictment Act delivered against the Subsidiary.

The damage caused to the water body (the Curonian Lagoon) was estimated in the civil claim according to the general mathematical formula specified in the Methodology for estimation of the amounts of compensation for damage caused to the environment approved by Order No 471 of the Minister of Environment of the Republic of Lithuania of 9 September 2002 (hereinafter the "Methodology") using the following information and documentation:

- the quantities of sewage discharged to the collector of municipal company Klaipėdos Vanduo AB;

- the biochemical composition of sewage discharged to the collector of municipal company Klaipėdos Vanduo AB which is supported by the documents evidencing the data for exceedingly limited period (November 2019 to 7 January 2020), which could not be construed as sufficient and representative time-basis to substantiate findings for the entire incriminated period (from 1 January 2012 to 7 January 2020);

- the statement that a substantial amount of wastewater was not treated, whereas the said conclusion casts doubt caused by substantively contradicting findings of experts of both parties (the Prosecutor's Office and the Company) in relation to technical capabilities of the Company's waste treatment facilities as regards quantities and composition of pollution (partially untreated wastewater) reportedly released to the environment (the Curonian Lagoon);

- the unsupported statement that the damage done to the environment occurs by diminution or loss of certain values without indication which specific environmental element was negatively affected and what values and to what extent were lost due to the Subsidiary's actions.

No claim has been brought against the Subsidiary for unpaid related taxes. According to the Subsidiary's management, such a claim seeking the award of unpaid taxes, in all likelihood, could not be brought against the Subsidiary, as the purpose of legal actions relating to adjudication of environmental pollution tax and to the compensation (remedy) of environmental damage differs. In case of pollution, the environment is polluted in a place agreed with responsible authorities by measuring the pollutants and paying of respective environmental tax, whereas the amount of environmental damage is calculated on the basis that a person in charge made the breach of prohibitions set up by the legal acts. If there is a claim lodged for compensation of environmental damage made, as result of release of the specified pollutants in violation of the requirements of the legal acts, in the view of the Subsidiary's management, it is not possible at the same time (concurrently) to claim payment of applicable pollution tax for the same pollutants released.

Key considerations of the civil claim of the Environmental Protection Department

The following was not considered and/or indicated in the civil claim:

- the requirements of Article 32 of the Environment Protection Law whose provisions are implemented by the Methodology. Article 32 of the Environment Protection Law indicates that the damage to the environment is assessed and the amount of compensation is calculated in accordance with the methodology approved by the Minister of the Environment, assessing the initial condition of the environment, significance of negative impact on the environment, natural recovery possibilities and time, as well as adopted remediation measures;
- identification of specific environmental element(s) which was(were) affected and assessment of the significance of the negative impact of Subsidiary's actions on the environment (Curonian Lagoon);
- data on the fact and extent of the damage caused by the Subsidiary's actions;
- the causal link between the identified significant negative impact on the environment and the Subsidiary's actions.

The Subsidiary's management considers the above list to remain conclusive notwithstanding the pre-trial investigation files that the Subsidiary became acquainted with in September 2021. Different expert reports within the pre-trial investigation case deliver inconsistent findings and conclusions which further substantiates the fact of numerous uncertainties in relation to the outcome of court proceedings and the amount of expenditure required to settle related outstanding obligations of the Subsidiary.

32. Legal processes (continued)

Summary of uncertainties

At the date of approval of these consolidated financial statements the management faces the following uncertainties in relation to the amount of the civil claim or determination of the timing of any possible outcome of the civil claim:

- The Subsidiary does not currently possess any objective, complete and comprehensive factual data in relation to the period, extent, frequency and biochemical composition of its sewage discharged to the collector of municipal company Klaipėdos Vanduo AB.
- The damage caused to the environment was determined in the civil claim according to the general mathematical formula specified in the Methodology without identifying initial condition of the environment, significance of negative impact on the environment and not taking into account that a plan of measures for the environment restoration is not prepared and applied as required by legal acts.
- The fact and scope of damage caused to the environment were not determined in the civil claim by special scientific and other valid studies aimed at individual approach to a particular case in line with methods entrenched in Directive 2004/35/EC and Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (hereinafter the “Directives”), instead, a general mathematical formula specified in the Methodology was used.
- The fact of pollution by the Subsidiary is mistakenly equated with the fact of environmental damage. The fact and extent of the actual environmental damage made by the Subsidiary is not established and determined.
- Uncertainties of the damage calculated in the civil claim are also related to the fact that it is not clear why the Environmental Protection Department did not apply the mandatory legal act *Description of the procedure for selecting environmental remediation measures and obtaining prior approval* (hereinafter the “Legal Act on ERM”) approved by the Minister of Environment by Order No D1-228 of 16 May 2006 to implement the principles and legal requirements of Directive 2004/35/EC. Clause 10 of the Legal Act on ERM states that environmental damage related to water (the Curonian Lagoon) is to be remedied by restoring the baseline condition of environment by choosing the following methods of environmental restoration: primary, supplementary and compensatory.

Conclusion

The Subsidiary is not denying its legal liability and is prepared to compensate for objectively calculated damage. The Subsidiary’s management, following the scientific research performed by the independent TIG Environmental experts, estimates that the potential costs of offsetting ecological impact from the releases of biologically untreated wastewater are limited. On the upper limit of the range the assessment of the Environmental Protection Department, the claim filed amounts to EUR 48,257,676.57 which is uncertain in the following areas:

- The claim amount is based on the mathematical formula specified in the Methodology with the key components of the formula – quantities and biochemical composition of sewage – being uncertain. The management thus far does not possess objective information to reliably estimate quantity of the pollutants (BOD_7, nitrogen, phosphorus or any other elements) in the biologically partially untreated wastewater released.
- The management considers that the claim is not in line with the methods entrenched in the above-mentioned local legal acts and the Directives.

International Accounting Standard 37 requires measuring the provision in the amount of the best estimate of the expenditure required to settle the present obligation. As there is a wide range of estimates depending on the source of information and significant uncertainties relating to them, as described above, it is difficult to estimate probability of any outcome as well as to assess the amount of expenditure required to settle this obligation. Having no objective information on the quantities and biochemical composition of the sewage discharged to the collector of municipal company Klaipėdos Vanduo AB, the management could not reliably estimate the amount of provision and the provision was not recognised in the financial statements, but instead is disclosed as a contingent liability. At the date of this report, the trial that started in 2022 did not change the management’s estimations over the general situation and the outcome of the case. The management remains to hold an opinion that any compensation for the potential damage should be scientifically based and estimated following the legal acts and in accordance with the legal framework of the Republic of Lithuania and the European Union.

All amounts are in EUR thousands unless otherwise stated

33. Material uncertainties

Russia's invasion of Ukraine on 24 February 2022 has a negative impact on the Group's financial performance for the year 2022. The Group's subsidiary Grigeo Klaipeda AB has investments in Ukrainian subsidiary Mena Pak AT, which ceased its operations completely after the start of the war. The operations were restored in May 2022.

Uncertainties related to the investment in Mena Pak AT

The Group's statement of financial position includes the following consolidated assets and liabilities of Mena Pak AT:

Mena Pak AT	At 31 December 2022	At 31 December 2021
Non-current assets	609	786
Current assets	1,790	2,308
TOTAL ASSETS	**2,399**	**3,094**
Shareholders' equity	2,168	2,670
Non-current liabilities	12	17
Current liabilities	219	407
TOTAL EQUITY AND LIABILITIES	**2,399**	**3,094**

The Group's statement of comprehensive income for the year 2022 includes the following consolidated results of Mena Pak AT:

Mena Pak AT	2022
Revenue	4,857
Profit before tax	29
Net profit	25
EBITDA	247

Mena Pak AT did not incur any damage during the war and has restored operations in May 2022. However, the Group's management estimates that a high uncertainty exists in relation to Mena Pak AT's assets of EUR 2.4 million and liabilities of EUR 0.2 million due to the ongoing war and high uncertainty of future events.

Although the company Mena Pak AT was profitable in 2022, due to a significant decrease in profitability and future uncertainties, the parent company Grigeo Klaipėda AB had to account for the investment impairment of EUR 1.6 million. The determined value of Mena Pak AT approximates the carrying amount of its assets reported in the balance sheet, therefore the Group's management did not determine an additional impairment for the consolidated assets of Mena Pak AT.

Amounts receivable from countries participating in the war

Since the beginning of the war, the Group stopped sales to Belarus and Russia.

Before the war, in 2022 the Group's sales to Belarus and Russia amounted to EUR 984 thousand (0.5% of all Group's sales). In 2022 The Group's sales to Ukraine amounted to EUR 8,472 thousand (4.2% of all Group's sales). Before the war, in 2022, the Company's sales to Belarus and Russia amounted to EUR 231 thousand (0.3% of the Company's total sales). In 2022 The Company's sales to Ukraine amounted to EUR 1,009 thousand (1.1% of the Company's total sales).

In 2021, the Group's sales to Belarus and Russia amounted to EUR 5,481 thousand (3.4% of all Group's sales), sales to Ukraine amounted to EUR 11,869 thousand (7.3% of all Group's sales). The Company's sales to Belarus and Russia amounted to EUR 1,564 thousand (2.3% of the Company's total sales), sales to Ukraine amounted to EUR 2,081 thousand (3.1% of the Company's total sales).

Amounts receivable from customers in Belarus, Russia and Ukraine:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Ukraine	255*	1,487	-	510
Russia	-	123	-	101
Belarus	-	178	-	119
TOTAL	**255**	**1,788**	**-**	**730**

*In 2022, the total amount receivable consists of the amount receivable of subsidiary Mena Pak AT from Ukrainian customers.

34. Events after the end of the reporting period

There were no material or otherwise significant events after the end of the reporting period.

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Grigeo AB (hereinafter the "**Company**"), acting in compliance with Article 12(3) of the Republic of Lithuania Law on Securities and paragraph 24.4 of the Listing Rules of Nasdaq Vilnius AB, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with are indicated and the reasons for such non-compliance are specified. In addition, other explanatory information indicated in this form is provided.

PRINCIPLES/ RECOMMENDATIONS	YES /NO /NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company fully complies with this recommendation and provides the information and/or documents established in the legal acts to the shareholders in accordance with the requirements established by the Republic of Lithuania Law on Securities and other legal acts.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The authorised share capital of the Company consists of 131,400,000 ordinary registered shares, each with a nominal value of EUR 0.29. All shareholders of the Company are granted equal rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company fully complies with this recommendation.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	The Company will comply with this recommendation.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The procedures for convening and attending general meetings of shareholders of the Company provide equal opportunities for shareholders to attend a meeting and do not prejudice their rights and interests. The notice of the general meeting of shareholders is published in the central database of regulated information managed by Nasdaq Vilnius AB and on the Company's website in accordance with the procedure prescribed by the Law on Securities. General meetings of shareholders of the Company are convened at the registered office and business address of the Company at Vilniaus str. 10 Grigiškės, Vilnius city municipality. The chosen location of the general meeting of shareholders does not prevent active participation of the shareholders in the meeting. In the notice of the general meeting of shareholders being convened, the Company specifies that the shareholders may submit the proposed draft resolutions at any time prior to the general meeting.

1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company complies with this recommendation. The Company publishes documents prepared for the general meeting of shareholders in advance in the Lithuanian and English languages. The Company also publicly announces information about the resolutions adopted by the general meeting of shareholders in the Lithuanian and English languages. The Company also announces the aforementioned information on the Company's website.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company complies with this recommendation. The notice of the general meeting of shareholders being convened always indicates the possibility for the shareholders to vote in writing by filling in the attached voting ballot form.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	The Company does not comply with this recommendation due to legal uncertainties and obstacles regarding the participation and voting of shareholders in general meetings of shareholders via electronic means of communication. The notice of the general meeting of shareholders being convened always states that the Company does not provide the shareholders with the conditions to participate and vote in the general meeting of shareholders via electronic means of communication.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	The Company complies with this recommendation. The Company discloses information about the candidates for the collegial body of the Company to the shareholders immediately upon the receipt of the proposals for the candidates for the collegial body. The Company has only paid to the members of the collegial body annual bonuses for their work that were granted by the general meeting of shareholders, and therefore, the proposed remuneration was not indicated in the information about the candidates for the collegial body. The Company also provides information on the proposed audit firm and the proposed remuneration for the services when this issue is included in the agenda of the general meeting of shareholders.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	The Company complies with this recommendation. Relevant competent persons who can provide information relating to the agenda of the general meeting of shareholders always attend the general meeting of shareholders. Proposed candidates for the members of the collegial body attend the general meetings of shareholders as far as possible.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

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Principle 2: Supervisory board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	According to the knowledge of the Company, all members of the supervisory board act in good faith for the benefit of the Company and its shareholders.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	The supervisory board treats all shareholders fairly and impartially.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Yes	The supervisory board is independent in passing decisions that are significant for the Company's operations and strategy.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent2 members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Yes	The supervisory board members are impartial in passing decisions and clearly voice their will regarding the decisions passed.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Yes	The supervisory board oversees that the Company's tax planning strategies are designed and implemented in accordance with the legal acts.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Yes	Meetings of the supervisory board are provided with premises and all necessary information and the supervisory board has the right to seek independent professional advice from external legal, accounting, or other experts on matters falling within their competence.

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2. Formation of the supervisory board		
The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the supervisory board elected by the general meeting of shareholders of the Company ensure the diversity of qualifications, professional experience and competences, and the supervisory board has members of both genders.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	According to the Articles of Association of the Company, the supervisory board is elected by the general meeting of shareholders for a period of 4 years, i.e. the maximum period permitted by the legislation of the Republic of Lithuania.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacles to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	Chair of the supervisory board is a person whose current or past positions constitute no obstacles to carry out impartial activities. Former managers or management board members of the Company were not appointed as chairs of the supervisory board.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	Each member devotes sufficient time and attention to perform his/her duties as a member of the supervisory board and his/her other professional obligations do not interfere with the proper performance of the duties of a member of the supervisory board.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	No	The Company submits to the shareholders received proposals concerning the candidates for the members of the supervisory board.
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board is approved by the general meeting of shareholders. Guidelines for the determination of remuneration of the members of the supervisory board of the Company and the procedure for payment of remuneration is established by the Company's remuneration policy approved by the Resolution of the Ordinary General Meeting of Shareholders on 29 April 2022.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	No	The supervisory board has not carried out an assessment of its activities.

Principle 3: Management board		
3.1. Functions and liability of the management board		
The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	No	The supervisory board has not approved the Company's strategy.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the Articles of Association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The management board, as a collegial management body of the Company, performs the functions assigned to it by the Law on Companies and in the Articles of Association of the Company. By performing the functions assigned to it, the management board takes into account the needs of the Company's shareholders, employees and other interest groups and, respectively, strives to achieve sustainable business development.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The management board, within the limits of its competence and functions assigned to it, aims to ensure the compliance with the provisions of the laws and the internal policy of the Company.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Company applies a variety of documents ensuring the highest level of internal control, ethics and measures of compliance management.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the manager of the Company, the management board considers the appropriate balance between the candidate's qualifications, experience and competence.
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The management board members elected by the supervisory board of the Company ensure the diversity of qualifications, professional experience and competences. During the election of the members of the management board, the Company aims to ensure gender equality and the management board has had members of both genders for a number of years.

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest are disclosed at the meeting of the supervisory board in which the management board or individual members of the management board are elected. The data on the members of the management board referred to in this paragraph is also disclosed in the Company's annual report.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	Members of the management board are familiarised with their duties and the structure and operations of the Company, and the main corporate documents of the Company are shared.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	Members of the management board are appointed for a term of four years, subject to re-election for a new term in office. The number of terms in office of a member of the management board is unlimited.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacles to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	A person whose current or past positions constitute no obstacles to impartially carry out the functions of the chair of the management board is appointed as the chair of the management board.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	Each member devotes sufficient time and attention to perform their duties as a member of the management board.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	The supervisory board has been formed at the Company.

[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	The general meeting of shareholders of the Company approves the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board. Guidelines for the determination of remuneration of the members of the management board of the Company and the procedure for payment of remuneration is established by the Company's remuneration policy approved by the Resolution of the Ordinary General Meeting of Shareholders of 29 April 2022.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	According to the information available to the Company, all members of the management board act in good faith, with care and responsibility for the benefit and the interests of the Company and its shareholders and put an effort to maintain their independence in decision-making. In accordance with the provisions of the Republic of Lithuania Law on Companies, all members of the management board must protect the Company's commercial (industrial) secrets and confidential information that they got acquainted with when they were members of the management board.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public the respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	No	The management board has not carried out an assessment of its activities.

Principle 4: Rules of procedure of the supervisory board and the management board of the company

The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	The management board and the supervisory board act in close cooperation.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of the Company's collegial bodies are convened at such intervals that uninterruptable resolution of essential Company's management and supervision issues is ensured.

4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	Members of a collegial body are notified of the meeting being convened and all materials relevant to the issues on the agenda of the meeting are submitted to them in advance, so that members of a collegial body would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and closely cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Yes	In order to coordinate the activities of the Company's collegial bodies and ensure effective decision-making process, the chairs of the Company's collegial supervision and management bodies mutually agree on the dates and agendas of the meetings and cooperate closely in resolving other matters related to the Company's management.
Principle 5: Nomination, remuneration and audit committees **5.1.Purpose and formation of committees** The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. The collegial body is recommended to form the nomination, remuneration and audit committees[5].	Yes	The Audit Committee has been formed at the Company.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Yes	The nomination and remuneration committees have not been formed at the Company. Candidates proposed for the members of a collegial body in accordance with the procedure established by the legal acts are submitted for consideration to the electing general meeting of shareholders or collegial body, and candidates to the top-level management positions are considered and approved by the management board of the Company. The remuneration of the employees who hold top-level management positions is determined by the management board of the Company.

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.1.3. In the cases established by the legal acts, the functions assigned to the internal committees of the companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	Provisions of the Code pertaining to the committees (particularly those related to their role, operation and transparency) apply to the collegial body performing the functions of the committees.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	The Company has formed the Audit Committee consisting of three members of the supervisory board of the Company. The chair of the management board is not a member of the Audit Committee.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes	The supervisory board of the Company has established the authority of the Audit Committee in the internal rules of the Audit Committee approved by the supervisory board itself.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	In accordance with the internal rules of the Audit Committee, it has the right to invite the chair of the supervisory board and certain employees of the Company, as well as external auditors, to its meetings.
5.2.Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) to assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) to devote the attention necessary to ensure succession planning.	No	To date, the nomination committee has not been formed at the Company.

5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the nomination committee.	No	To date, the nomination committee has not been formed at the Company.

5.3.Remuneration committee

The main functions of the remuneration committee should be as follows: 1) to submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) to submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) to review, on a regular basis, the remuneration policy and its implementation.	No	To date, the remuneration committee has not been formed at the Company.

5.4.Audit committee

5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6]. 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches. 5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present. 5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group. 5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions. 5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Company has the Audit Committee the main functions of which comply with these recommendations.

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

Principle 6: Prevention and disclosure of conflicts of interest

The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.

The corporate governance framework should recognize the rights of stakeholders entrenched in the laws and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The Company fully complies with these recommendations.

Principle 7: Remuneration policy of the company

The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.

7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Company has approved its remuneration policy and published it on the Company's website. The remuneration policy is reviewed on a regular basis.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The remuneration policy of the Company includes all forms of remuneration.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	The remuneration policy of the Company provides that the remuneration of the members of its supervisory board is not based on the Company's performance.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The Company fully complies with this recommendation.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Yes	The Company applies a share award scheme. The remuneration policy states that according to the rules for granting shares, the granting of shares is postponed for a period of 3 years - the Company's shares are granted (the share option can be exercised) no earlier than 3 years after the conclusion of the option agreement.

7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company complies with this recommendation.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	The Company complies with this recommendation.

Principle 8: Role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company complies with all statutory requirements ensuring the rights of stakeholders.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The Company complies with all statutory requirements ensuring the rights of stakeholders.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company complies with all statutory requirements ensuring the rights of stakeholders.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	No	Pursuant to the legislation of the Republic of Lithuania, the Company has established an internal whistleblowing channel and individuals have also been informed about this on the Company's website.

Principle 9: Disclosure of information

The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.

9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	The Company complies with this recommendation.
9.1.2. objectives and non-financial information of the company;	Yes	The Company complies with this recommendation.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	The Company complies with this recommendation.

9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	The Company complies with this recommendation.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	No	To date, the Company has not published this information.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	The Company complies with this recommendation.
9.1.7. the company's transactions with related parties;	Yes	The Company complies with this recommendation by disclosing information about transactions with related parties that are not a part of the Company's normal economic activities and/or exert a significant influence on the Company.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	The Company complies with this recommendation.
9.1.9. structure and strategy of corporate governance;	No	The Company has not published its structure and strategy of corporate governance.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	The Company complies with this recommendation.
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The Company complies with this recommendation.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	The Company complies with this recommendation.

9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The Company discloses the information in the Lithuanian and English languages simultaneously through the information disclosure system used by Nasdaq Vilnius AB Stock Exchange. The Company usually publishes information before or after the trading session of Nasdaq Vilnius AB Stock Exchange and presents it simultaneously to all markets where the Company's securities are traded. The Company does not disclose any information that may affect the price of its issued securities in comments, interviews or otherwise until such information is made public through the information disclosure system of the Stock Exchange. This information is also disclosed on the Company's website www.grigeo.lt.

Principle 10: Selection of the company's audit firm

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The Company complies with this recommendation.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The Company complies with this recommendation.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	When considering which audit firm should be proposed to the general meeting of shareholders, the Company's supervisory board had information on whether the audit firm has received remuneration from the Company for the non-audit services provided.

CONFIRMATION OF RESPONSIBLE PERSONS

In accordance with the Law on Securities of the Republic of Lithuania, and the Rules on the Disclosure of Information of the Bank of Lithuania, we, President of Grigeo AB Gintautas Pangonis and Finance Director of Grigeo AB Martynas Nenėnas, hereby confirm that, to the best of our knowledge, the consolidated financial statements of Grigeo AB for the year ended 31 December 2022, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the issuer's and of the consolidated companies' assets, liabilities, financial position, profit or loss and cash flows, and also that the consolidated annual report includes a fair overview of the business development and operations.

President of Grigeo AB — Gintautas Pangonis

Finance Director of Grigeo AB — Martynas Nenėnas