AB „GRIGIŠKĖS“

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2009

CONTENTS

AB „GRIGIŠKĖS“

INFORMATION ON THE COMPANY

Company details

Code:	110012450
Register:	Register of Legal Entities
Address:	Vilniaus m. sav. Grigiškių m. Vilniaus g. 10
Telephone:	(+370-5)2435801
Fax:	(+370-5)2435802
VAT ID:	LT100124515

Board

Chairman:	Gintautas Pangonis
Members:	Nina Šilerienė
	Audris Vilčinskas
	Normantas Paliokas
	Vigmantas Kažukauskas

Management

General Director:	Gintautas Pangonis
Finance Director:	Nina Šilerienė

Auditor

Audit firm:	UAB "Tezaurus auditas"
Address:	Vilniaus m. sav. Vilniaus m. J. Jasinskio g. 4-17

UAB „Tezaurus auditas“

Code: 122740926
Register of Legal Entities
VAT ID: LT227409219
Jasinskio st. 4-17
LT01112 Vilnius, Lithuania
Tel.: +370 5 2497 044
Fax: +370 5 2498 109
www.tezaurus.lt

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB „GRIGIŠKĖS“

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of AB „GRIGIŠKĖS“ and its subsidiary and separate financial statements of AB „GRIGIŠKĖS“ which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Basis for Modified Opinion

As was the case for the year ended 31 December 2008, the Group's and the Company's property, plant and equipment include assets which are accounted for using the historical cost adjusted for indexation, using indexation rates set by the Government of the Republic of Lithuania less subsequent depreciation and impairment loss. Indexed value less depreciation was 11 742 thousand Litas as at 31 December 2009 (13.050 thousand Litas as at 31 December 2008). In accordance with International Financial Reporting Standards as adopted by the European Union, property, plant and equipment must be measured either at fair value or at historical cost less subsequent depreciation and impairment losses. We have not been able to satisfy ourselves whether the assets referred to above are fairly stated in accordance with International Financial Reporting Standards as adopted by the European Union.

Modified Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of AB „GRIGIŠKĖS“ as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw attention to Note 14 to the financial statements. The Company and its subsidiary did not comply with some covenants involving maintenance of predetermined financial ratios.

Report on Other Legal and Regulatory Requirements

We have read the Annual Report for the year ended 31 December 2009 and have not identified any material inconsistencies between the financial information for the year 2009 included in the annual report and the financial statements for the year ended 31 December 2009.

UAB „Tezaurus auditas“
Audit firm's certificate No. 001211

Director Rimas Butkevičius
Auditor's certificate No. 000036

Auditor Arūnas Butkevičius
Auditor's certificate No. 000433

6 April 2010
Vilnius, Lithuania

AB „GRIGIŠKĖS“
Code: 110012450, Vilniaus m. sav. Grigiškių m. Vilniaus g. 10

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	Notes	Group		Company	
		2009 LTL	2008 LTL	2009 LTL	2008 LTL
ASSETS					
Non-current assets					
Tangible assets	6	93.109.976	104.095.502	84.286.223	93.977.574
Intangible assets	7	2.330.532	2.461.616	99.369	203.549
Investments in subsidiary	8	10.000	0	5.015.000	5.005.000
Other assets		43.091		43.091	
Total non-current assets		**95.493.599**	**106.557.118**	**89.443.683**	**99.186.123**
Current assets					
Inventories	9	10.620.079	14.826.904	8.988.447	12.558.106
Trade and other receivables	10	14.231.492	18.770.638	17.250.622	21.058.324
Other assets		576.301	408.583	530.891	383.625
Cash and cash equivalents	11	461.601	130.026	158.581	113.472
Total current assets		**25.889.473**	**34.136.151**	**26.928.541**	**34.113.527**
TOTAL ASSETS		**121.383.072**	**140.693.269**	**116.372.224**	**133.299.650**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	60.000.000	60.000.000	60.000.000	60.000.000
Legal reserve		3.995.665	3.995.665	3.995.665	3.995.665
Retained earnings		3.647.525	1.017.966	5.016.996	2.011.604
Total equity		**67.643.190**	**65.013.631**	**69.012.661**	**66.007.269**
Non-current liabilities					
Grants	13	461.938	318.641	461.938	318.641
Bank loans	14	11.964.440	15.397.963	11.964.440	15.397.963
Obligations under finance leases	15	10.681.454	12.593.549	10.589.013	12.247.115
Deferred tax liability	23	252.051	359.801	252.051	359.801
Total non-current liabilities		**23.359.883**	**28.669.954**	**23.267.442**	**28.323.520**
Current liabilities					
Bank loans	14	10.187.027	17.633.628	5.179.527	11.628.424
Obligations under finance leases	15	5.275.819	7.653.001	5.026.833	7.321.274
Factoring		0	4.212.348	0	3.704.821
Trade and other payables	16	14.917.153	17.510.707	13.885.761	16.314.342
Total current liabilities		**30.379.999**	**47.009.684**	**24.092.121**	**38.968.861**
Total liabilities		**53.739.882**	**75.679.638**	**47.359.563**	**67.292.381**
TOTAL EQUITY AND LIABILITIES:		**121.383.072**	**140.693.269**	**116.372.224**	**133.299.650**

The accompanying explanatory notes are an integral part of these financial statements
The financial statements were approved by the management on 6 April 2010 and signed on its behalf by:

Gintautas Pangonis
General Director

Nina Šilerienė
Finance Director

AB „GRIGIŠKĖS“
Code: 110012450, Vilniaus m. sav. Grigiškių m. Vilniaus g. 10

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Group		Company	
		2009 LTL	2008 LTL	2009 LTL	2008 LTL
Revenue	17	118.929.736	145.459.389	109.709.336	135.465.115
Cost of sales	17	(98.759.686)	(129.613.227)	(91.012.026)	(120.243.912)
Gross profit		**20.170.050**	**15.846.162**	**18.697.310**	**15.221.203**
Other operating income	18	2.527.642	2.271.215	2.629.615	2.449.997
Selling and distribution expenses	20	(8.249.000)	(7.731.123)	(7.719.074)	(7.315.339)
Administrative expenses	21	(9.050.776)	(11.197.021)	(8.074.719)	(9.907.260)
Other operating expenses	19	(245.389)	(392.709)	(245.389)	(379.792)
Profit from operating activities		**5.152.527**	**(1.203.476)**	**5.287.743**	**68.809**
Finance income	22	5.465	1.120	2.984	807
Finance expenses	22	(1.986.894)	(3.306.917)	(1.743.796)	(2.812.869)
Profit before income tax		**3.171.098**	**(4.509.273)**	**3.546.931**	**(2.743.253)**
Income tax expense	23	(541.539)	597.223	(541.539)	254.556
PROFIT FOR THE PERIOD		**2.629.559**	**(3.912.050)**	**3.005.392**	**(2.488.697)**
COMPREHENSIVE INCOME FOR THE PERIOD		**2.629.559**	**(3.912.050)**	**3.005.392**	**(2.488.697)**
Basic and diluted earnings per share	**24**	**0,04**	**(0,07)**	**0,05**	**(0,04)**

The accompanying explanatory notes are an integral part of these financial statements
The financial statements were approved by the management on 6 April 2010 and signed on its behalf by:

Gintautas Pangonis
General Director

Nina Šilerienė
Finance Director

AB „GRIGIŠKĖS“
Code: 110012450, Vilniaus m. sav. Grigiškių m. Vilniaus g. 10

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

Group	Share capital	Legal reserve	Retained earnings	TOTAL:
At 31 December 2007	**39.956.657**	**3.995.665**	**26.973.359**	**70.925.681**
Share capital increase	20.043.343		(20.043.343)	**0**
Dividends paid			(2.000.000)	**(2.000.000)**
Net profit			(3.912.050)	**(3.912.050)**
At 31 December 2008	**60.000.000**	**3.995.665**	**1.017.966**	**65.013.631**
Net profit			2.629.559	**2.629.559**
At 31 December 2009	**60.000.000**	**3.995.665**	**3.647.525**	**67.643.190**

Group	Share capital	Legal reserve	Retained earnings	TOTAL:
At 31 December 2007	**39.956.657**	**3.995.665**	**26.543.644**	**70.495.966**
Share capital increase	20.043.343		(20.043.343)	**0**
Dividends paid			(2.000.000)	**(2.000.000)**
Net profit			(2.488.697)	**(2.488.697)**
At 31 December 2008	**60.000.000**	**3.995.665**	**2.011.604**	**66.007.269**
Net profit			3.005.392	**3.005.392**
At 31 December 2009	**60.000.000**	**3.995.665**	**5.016.996**	**69.012.661**

The accompanying explanatory notes are an integral part of these financial statements
The financial statements were approved by the management on 10 April 2010 and signed on its behalf by:

Gintautas Pangonis
General Director

Nina Šilerienė
Finance Director

AB „GRIGIŠKĖS“
Code: 110012450, Vilniaus m. sav. Grigiškių m. Vilniaus g. 10

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Group		Company	
	2009	**2008**	**2009**	**2008**
	LTL	**LTL**	**LTL**	**LTL**
OPERATING ACTIVITIES				
Profit before income tax	**3.171.098**	**(4.509.273)**	**3.546.931**	**(2.743.253)**
Adjustments for:				
Depreciation and amortisation	16.752.458	13.753.532	15.281.716	12.243.435
Interest income	(961)	(1.011)	(805)	(698)
Finance costs	1.922.076	3.208.924	1.704.028	2.719.336
Net foreign exchange loss	31.830	34.440	30.350	33.631
Profit on disposal of property, plant and equipment	(16.333)	(148.249)	(16.333)	(148.249)
Profit on disposal of emission rights	(1.511.636)	(1.028.934)	(1.511.636)	(1.028.934)
Provisions (reversal) for slow moving inventory, write-off to net realizable value and low value inventory	425.569	354.527	425.569	354.527
Property, plant and equipment impairment losses (reversal)	(329.426)	18.507	(329.426)	18.507
Provision for doubtful accounts receivable (reversal), write-off of bad accounts receivable	762.648	(832.566)	727.337	(821.116)
	21.207.323	**10.849.897**	**19.857.731**	**10.627.186**
Changes in operating assets and liabilities:				
(Increase) decrease in other assets	(167.718)	88.361	(147.266)	34.141
Decrease (increase) in trade and other receivables	4.413.770	4.126.699	3.717.637	3.241.205
(Increase) in inventories	4.649.344	1.035.982	4.012.178	(313.796)
Increase (decrease) in trade and other payables	(6.661.220)	(800.884)	(5.987.239)	(178.291)
	23.441.499	**15.300.055**	**21.453.041**	**13.410.445**
Interest paid	(1.928.065)	(3.211.722)	(1.710.018)	(2.722.134)
Income tax paid	(640.000)	(753.869)	(640.000)	(753.869)
Net cash from operating activities	**20.873.434**	**11.334.464**	**19.103.023**	**9.934.442**

Continued

	Group		Company	
	2009	**2008**	**2009**	**2008**
	LTL	**LTL**	**LTL**	**LTL**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	(3.231.050)	(13.083.132)	(3.081.387)	(12.958.412)
Investments in subsidiaries	(53.091)		(53.091)	
Proceeds on disposal of property, plant and equipment	185.682	470.856	185.682	470.856
Proceeds on disposal of emission rights	1.511.636	1.028.934	1.511.636	1.028.934
Interest received	961	1.011	805	698
Net cash (used in) investing activities	**(1.585.862)**	**(11.582.331)**	**(1.436.355**	**(11.457.924)**
FINANCING ACTIVITIES				
Dividends paid		(2.000.000)		(2.000.000)
Repayments of borrowings	(10.880.124)	(5.200.419)	(9.882.420)	(4.252.212)
Proceeds from borrowings		11.738.687		11.738.687
Repayments of finance lease liabilities	(8.075.873)	(4.560.355)	(7.739.139)	(4.171.382)
Net cash from (used in) financing activities	**(18.955.997)**	**(22.087)**	**(17.621.559)**	**1.315.093**
Net (decrease)/increase in cash	**331.575**	**(269.954)**	**45.109**	**(208.389)**
CASH AND CASH EQUIVALENTS				
In the beginning of the year	**130.026**	**399.980**	**113.472**	**321.861**
In the ending of the year	**461.601**	**130.026**	**158.581**	**113.472**

The accompanying explanatory notes are an integral part of these financial statements
The financial statements were approved by the management on 10 April 2010 and signed on its behalf by:

Gintautas Pangonis
General Director

Nina Šilerienė
Finance Director

AB „GRIGIŠKĖS“
Code: 110012450, Vilniaus m. sav. Grigiškių m. Vilniaus g. 10

NOTES
FOR THE YEAR ENDED 31 DECEMBER 2009

1. General Information

Paper mill in Grigiškės was established in 1823.

AB Grigiškės was registered on 23 May 1991. Shares of the Company are traded on the NASDAQ OMX Vilnius.

The Group consisted of the Company and wholly owned subsidiaries listed in the table. The Company‘s, its subsidiaries, the addresses of their registered offices and principal activities are as follow:

Name	Country	Address	Principal activity
AB "Grigiškės"	Lithuania	Vilniaus m. sav. Grigiškių m. Vilniaus g. 10	Production of toilet paper, paper towels, fibreboard, corrugated cardboard and products from corrugated cardboard
UAB "Baltwood"	Lithuania	Vilniaus m. sav. Grigiškių m. Vilniaus g. 10	Wood processing: production of container wood, fuel granules and bonded furniture panels
UAB "Ekotara"	Lithuania	Vilniaus m. sav. Grigiškių m. Vilniaus g. 10	Manufacturing of corrugated board, packing from corrugated board. There were no operations in 2009.
UAB „Naujieji Verkiai" (former name UAB "Grigiškių transporto centras")	Lithuania	Popieriaus g. 15, Vilniaus m., Vilniaus m. sav.	Building and development of real estate. There were no operations in 2009.

The financial statements of UAB „Naujieji Verkiai“ and UAB „Ekotara“ are not consolidated in 2009 and 2008 as the companies did not trade during this period.

The Group and Company employed 566 and 475 people respectively as at 31 December 2009 (in 2008: 656 and 580 respectively).

2. Basis of preparation

Statement of compliance

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

The Board has authorized the annual report for issue on 6 April 2010 and signed the financial statements on behalf of the Company.

Basis of measurement

The financial statements are presented in the national currency – Litas, which is the functional currency of the Group. They are prepared on the historical cost basis, as modified by the historic indexation of certain property, plant and equipment.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs, as adopted by the European Union, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future period.

Judgments made by the management in the application of IFRSs, as adopted by the European Union, that have significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are discussed in Note 4.

3. Significant accounting policies

The accounting policies of the Group and Company as set out below have been consistently applied and coincide with those used in the previous year.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of AB Grigiškės and the entity controlled by the Company (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Investments in subsidiaries

A subsidiary is a company over which the parent company has control. Investments in subsidiaries are stated at cost less impairment losses recognized, where the investment's carrying amount in the parent company only financial statements exceeds its estimated recoverable amount.

Foreign currency

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated into Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognized in the income statement.

The applicable rates used for the principal currencies as at 31 December 2009 were as follows:

	2009	**2008**
1 USD	2,4052 LTL	2,4507 LTL
1 EUR	3,4528 LTL	3,4528 LTL
1 GBP	3,8274 LTL	3,5517 LTL
10 PLN	8,3536 LTL	8,3326 LTL

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, trade payables and other liabilities.

Cash and cash equivalents comprise cash balances and call deposits. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of the transaction. Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Loans and receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted.

Loans and borrowings and other financial liabilities, including trade payables are subsequently stated at amortized cost using the effective interest rate method basis. Short-term liabilities are not discounted.

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

Derivative financial instruments

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at acquisition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. The Group did not hold any investments in this category during the period.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are stated at historical cost as adjusted for the indexation of certain property, plant and equipment, less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress represents properly, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequent costs

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

Depreciation

Depreciation of property, plant and equipment, other than construction-in-progress, is charged so as to write-off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Estimated useful lives of property, plant and equipment are as follows;

	Estimated useful lives, years
Buildings and constructions	8 - 91
Machinery and equipment	2 - 50
Vehicles	3 - 20
Other equipment and other assets	2 - 20

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Intangible assets

Intangible assets are stated at acquisition cost less subsequent accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to write-off the cost of each asset over its estimated useful life. Useful lives of intangible assets:

	Estimated useful lives, years
Land lease right	90
Licenses, patents and etc.	2 - 3
Software	1 - 5
Other intangible assets	2 - 4

Emission rights

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

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

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

When the Group has sufficient allowances to meet its obligations, the net approach is applied, the amount of the provision is equal to the costs of the assets and neither the asset nor the provision is presented on the statement of financial position.

In case the Group is 'short' of allowances, the liability is recognized on the statement of financial position being the best estimate of the expenditure (economic resources) required to settle the emission obligation.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Inventories

Inventories, including work in progress, are valued at acquisition/production cost. In the future periods, inventories are valued at lower of net realizable value or acquisition/production cost. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The cost of inventories is determined based on FIFO (First-In, First-Out) principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Auxiliary materials and supplies are expensed at the time they are taken into use or booked to the cost of finished goods if used in production.

Impairment

A financial asset is impaired if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset the impairment of which is tested on an individual basis and its impairment loss is continually recognized cannot be included in any group of assets that are tested for impairment on a portfolio basis.

The carrying amounts of the Group's non-financial assets other than inventories and deferred income tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses arc recognized in the statement of comprehensive income.

Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with short duration are not discounted.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment

An impairment loss in respect of receivables booked at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

In case of certain changes in events or circumstances, on the basis of which the recoverable value of non-financial assets was calculated, indicating that carrying value on non-financial assets can be recoverable, impairment loss is reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

Grants

Grants are recognized when they are received or when there is reasonable assurance that they will be received and the Group and Company have satisfied the conditions for receipt.

Grants related to assets

Grants related to assets include asset acquisition financing and non-monetary grants such as emission rights. Initially such grants are recorded at the fair value of the corresponding assets and subsequently credited to income statement over the useful lives of related non-current assets corresponding with the depreciation expense of the respective assets.

Grants related to income

Grants related to income are received as a reimbursement for the expenses already incurred and as a compensation for unearned revenue or expense yet to be incurred and are recognized in the income statement when the expenses to which they relate are incurred.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Employee benefits

The Group does not have any defined contribution and benefit plans and has no share based payment schemes. Post employment obligations to retired employees on a pension are borne by the State.

Provisions

Provisions are recognized in the statement of financial position when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation arising from a past event.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of services

Sales of services are recognized on performance of the services.
Interest income is recognized on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

Expenses

Operating lease payments

Payments made under operating lease are recognized in the income statement on a straight-line basis over the term of lease.

Finance lease payments

Minimum lease payments are apportioned between finance expenses and the reduction of the outstanding liability using the effective interest rate method. The finance expenses are distributed over the whole period of the finance lease, so as to produce a constant periodic interest rate on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest expenses on borrowings calculated using the effective interest rate method, interest income on funds invested and foreign exchange gains and losses.

Interest income is recognized in the income statement as accrued, using the effective interest rate method. The interest expenses component of finance lease payments is recognized in the income statement using the effective interest rate method.

Income tax

Income tax consists of current and deferred tax. Income tax is recognized in the income statement except to the extent it relates to the items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting dale.

Deferred tax assets is recognized only to the extent it is probable that the future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Segment reporting

Segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary formal for segment reporting is based on business segments.

Earnings per share

The Group presents data of basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects off all dilutive potential ordinary shares. During the reporting period there were no dilutive potential ordinary shares issued by the Group.

Contingencies

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

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

Related parties

Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the reporting entity, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

- The revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).

Standards and Interpretations adopted with no effect on financial statements

New standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2009, and have not been applied in preparing these financial statements:

- IFRS 1 First-time Adoption of IFRS. New amendments on cost of investment in a subsidiary, jointly-controlled entity or associate.
- Revised IFRS 2 Share-based Payment (effective from 1 January 2009). The revised IFRS 2 is not relevant to the Group's operations as the Group does not have any share-based compensation plans.
- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009).

- IFRS 8 Operating Segments (effective from 1 January 2009). According to this standard segment disclosure should be based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. This standard did not take an effect to Group as a result that Operating of the Group is not separated into the segments.
- Revised IAS 23 Borrowing Costs (effective from 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group has no borrowing costs.
- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). According to this standard the term minority interest has been replaced by non – controlling interest. The term is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The revised IAS 27 is not relevant to the Group's operations
- Revised IAS 28 Investment in associates requires that upon the investor loses significant influence over an investee, the left part of investment is measured at fair value and recognized as profit or loss.. The revised IAS 28 is not relevant to the Group.
- IAS 32 Financial instruments: presentation. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets and financial liabilities. The revised IAS 32 is not relevant to the Group.
- IAS 39 Financial instruments: recognition and measurement related to hedge transactions accounting. The revised IAS 39 is not relevant to the Group.
- IFRIC improvements. Effective revisions: IAS 38 Intangible assets does not preclude recognizing a prepayments on advertising and promotional activities as an asset when payment for the delivery of goods or services has been made in advance of the delivery of goods or the rendering the services. IAS 40 Investment asset defines the recognition of property being constructed as investment asset. IAS 20 Accounting for government grants and disclosure of government assistance. This standard explains that benefit of government loans at nil or low interest rate should be accounted as grants. IAS 39 Financial instruments: recognition and promotional. The revision of this standard allows classifying other financial instruments from those who are measured at fair value and the changes are recognized at the statement of comprehensive income and financial asset that could be sold.
- IFRIC 13 Customer Loyalty Programs (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their commitments to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their commitments. The Group does not expect the Interpretation to have any impact on the financial statements.
- IFRIC 14 IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements (hereinafter MFR) and their interactions (effective for annual periods beginning on or after 1 January 2008). The revised IFRIC 14 is not relevant to the Group.

Standards and Interpretations in issue not yet adopted

New standards, amendments to standards and interpretations are not yet adopted by the EU for the year ended 31 December 2009, and have not been applied in preparing these financial statements:

- IFRS 9 Financial instruments. The revised IFRS 9 is not relevant to the Group.
- Improvement of IFRS 2 , IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16 These improvements are not relevant to the Group.
- IAS 24 Related Party Disclosures. Improvement is not relevant to the Group.
- IFRIC 15 Agreements for the Construction of Real Estate. The revised standard explains if agreement for the construction of real estate should be accounted in accordance with IAS 11 or IAS 18. The improvement is not relevant to the group.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The improvement is not relevant to the Group.
- IFRIC 17 Distribution of Non-Cash Assets to Owners. The improvement is not relevant to the Group.
- IFRIC 18 Transfers of Assets from Customers. The improvement is not relevant to the Group.
- IFRIC 19 Extinguishing Liabilities with Equity Instruments. The improvement is not relevant to the Group.

4. Significant accounting estimates and judgments

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing the current situation and reasonable expected future events.

The Group and the Company makes estimates and assumptions concerning future events, therefore accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, national or local economic conditions that influence the group of the receivables.

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5. Financial risk management

The Group and Company has exposure to the following risks:

- credit risk.
- liquidity risk,

- market risk,
- operational risk,
- capital management risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these annual accounts. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group controls credit risk by using credit conditions and procedures of market analysis. The Group has no significant credit risk concentration because sales are distributed among different buyers.

The settlement period with suppliers is from 10 to 90 days, and credit terms of purchasers are from 15 to 40 days. Not permanent clients are required to pay in advance.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance for impairment includes only specific loss, related to individually significant trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December 2009 was:

	Carrying amount	
	Group	**Company**
Cash and cash equivalents	461.601	158.581
Trade and other receivables	14.231.492	17.250.622
Other assets	576.301	530.891
TOTAL:	**15.269.394**	**17.940.094**

The maximum exposure to credit risk for trade receivables al the reporting date by geographic region could be specified as follows:

	Carrying amount	
	Group	**Company**
Domestic	9.750.958	12.790.805
Other Europe country	3.725.022	3.725.022
Euro-zone countries	363.863	363.863
Other regions	101.048	101.048
United Kingdom	290.601	269.884
TOTAL:	**14.231.492**	**17.250.622**

The maximum exposure to credit risk for trade receivables at the reporting date by debtor could be specified as follows:

	Group		Company	
	Amount receivable (in LTL)	Share, %	Amount receivable (in LTL)	Share, %
Debtor 1	2.681.869	18,9%	2.681.869	15,5%
Debtor 2	903.368	6,3%	903.368	5,2%
Debtor 3	871.916	6,1%	681.805	4,0%
Debtor 4	636.960	4,5%	636.960	3,7%
Other debtors	9.137.379	64,2%	12.346.620	71,6%
TOTAL:	**14.231.492**	**100%**	**17.250.622**	**100%**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains overdraft facility.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest risk

The Group's borrowings are subject to variable interest rates related to EURIBOR and VILIBOR. As at 31 December 2009, the Group did not use financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Currency risk

The functional currency of the Group is Litas (LTL). The Group faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas and EUR. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate. The Group does not have any material exposure to other foreign currencies as at 31 December 2008 and 31 December 2009.

The Company's foreign currency exchange risk has been concentrated in the below provided items of the statement of financial position:

Group	USD	EUR	LTL	Other
Receivables	0	4.577.061	9.654.431	0
Cash and cash equivalents	0	373.408	88.193	0
Borrowings	0	22.474.164	15.634.576	0
Payables		2.173.012	12.744.141	
TOTAL:	**0**	**29.597.645**	**38.121.341**	**0**

Company	USD	EUR	LTL	Other
Receivables	0	4.459.814	12.790.808	0
Cash and cash equivalents	0	145.028	13.553	
Borrowings	0	20.075.237	12.684.576	0
Payables	0	2.173.012	11.712.749	0
TOTAL:	**0**	**26.853.091**	**37.201.686**	**0**

The currency exchange risk was not considered in respect of income and expenses because most items are related to the functional currency - LTL.

Below are the significant currency exchange rates applied during the period (in respect of functional currency):

	Group	Company
EUR	3,4528	3,4528

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and proposes the level of dividends to ordinary shareholders based on the Group's financial results and strategic plans.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models as appropriate.

Carrying amount of trade amounts receivable, amounts payable and short-term credit lines is close to their fair value. The fair value of the long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

6. Property, plant and equipment

Group	Buildings and constructions	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL:
Modified cost						
1 January 2008	35.737.017	86.909.630	6.692.848	2.908.083	29.598.569	**161.846.147**
Additions	95.683	351.010	884.370	823.360	23.290.327	**25.444.750**
Disposals	(21.732)	(2.362.182)	(725.296)	(222.296)	(6.000)	**(3.337.506)**
Reclassifications	5.067.941	43.223.327	(994.821)	6.205	(47.302.652)	**0**
31 December 2008	**40.878.909**	**128.121.785**	**5.857.101**	**3.515.352**	**5.580.244**	**183.953.391**
Comprising:						
At cost	15.548.708	111.295.192	5.563.930	3.237.840	5.580.244	**141.225.914**
At modified cost	25.330.201	16.826.593	293.171	277.512		**42.727.477**
31 December 2008	**40.878.909**	**128.121.785**	**5.857.101**	**3.515.352**	**5.580.244**	**183.953.391**
1 January 2009	40.878.909	128.121.785	5.857.101	3.515.352	5.580.244	**183.953.391**
Additions	29.394	239.737	49.165	40.667	6.020.609	**6.379.572**
Disposals	(14.142)	(6.883.924)	(733.566)	(149.274)	0	**(7.780.906)**
Transfers	0	11.345.620	0	0	(11.345.620)	**0**
31 December 2009	**40.894.161**	**132.823.218**	**5.172.700**	**3.406.745**	**255.233**	**182.552.057**
Comprising:						
At cost	15.563.960	121.281.230	4.894.578	3.142.166	255.233	**145.137.167**
At modified cost	25.330.201	11.541.988	278.122	264.579	0	**21.415.473**
31 January 2009	**40.894.161**	**132.823.218**	**5.172.700**	**3.406.745**	**255.233**	**166.552.640**
Accumulated depreciation and impairment						
1 January 2008	14.869.802	48.417.376	3.854.142	2.104.109	0	**69.245.429**
Depreciation	943.620	11.156.289	1.036.807	464.705	0	**13.601.421**
Impairment loss/(reversal	0	15.677	0	2.830	0	**18.507**
Disposals	(20.193)	(2.117.701)	(647.888)	(221.686)	0	**(3.007.468)**
Reclassifications	0	917.246	(923.424)	6.178	0	**0**
31 December 2008	**15.793.229**	**58.388.887**	**3.319.637**	**2.356.136**	**0**	**79.857.889**
Comprising:						
At cost	2.430.670	42.642.380	3.026.483	2.081.302	0	**50.180.835**
At modified cost	13.362.559	15.746.507	293.154	274.834	0	**29.677.054**
31 December 2008	**15.793.229**	**58.388.887**	**3.319.637**	**2.356.136**	**0**	**79.857.889**
1 January 2009	15.793.229	58.388.887	3.319.637	2.356.136	0	**79.857.889**
Depreciation	1.081.287	14.283.320	800.623	455.342	0	**16.620.572**
Impairment loss/(reversal	(6.250)	(277.654)	(39.335)	(6.187)	0	**(329.426)**
Disposals	(14.140)	(5.939.400)	(607.169)	(146.245)	0	**(6.706.954)**
31 December 2009	**16.854.126**	**66.455.153**	**3.473.756**	**2.659.046**	**0**	**89.442.081**
Comprising:						
At cost	3.039.602	55.139.524	3.195.650	2.394.690		**63.769.466**
At modified cost	13.814.524	11.315.629	278.106	264.356		**25.672.615**
31 December 2009	**16.854.126**	**66.455.153**	**3.473.756**	**2.659.046**	**0**	**89.442.081**
Carrying amount 31 December 2008	**25.085.680**	**69.732.898**	**2.537.464**	**1.159.216**	**5.580.244**	**104.095.502**
Carrying amount 31 December 2009	**24.040.035**	**66.368.065**	**1.698.944**	**747.699**	**255.233**	**93.109.976**

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

Depreciation expenses have been charged in cost of finished goods, in cost of sales, in selling costs and in administrative expenses.

As at 31 December 2009, the part of the Group's property, plant and equipment with a carrying value of 23.215.846 Litas (31 December 2008 - 22.546.424 Litas) is pledged as a security for repayment of the loans granted by banks (Note 14).

As at 31 December 2009, the Group's property, plant and equipment with a carrying value of 20.735.626 Litas (31 December 2008 - 22.183.785 Litas) were acquired under finance lease.

As at 31 December 2009, the impairment of the Group's property, plant and equipment amounted to 129.771 Litas (31 December 2008 – 459.196 Litas).

As at 31 December 2009, the acquisition cost of the fully depreciated property, plant and equipment (constructions, equipment and other assets) still in use of the Group was 27.382.395 Litas (31 December 2008 - 14.814.829 Litas).

As at 31 December 2009, the Group's constructions in progress include unfinished projects:

Group	**Carrying amount (In LTL)**	**Estimated expenses to completion (In LTL)**	**Estimated date of completion**
Modernization of heat production for wider use of renewable resources	124.191	17.725.000	2011
Other projects	131.042	480.000	04/2010
TOTAL:	**255.233**	**18.205.000**	

Company	Buildings and constructions	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL:
Modified cost						
1 January 2008	33.781.150	74.811.342	5.442.826	2.752.873	29.598.569	**146.386.760**
Additions	95.683	328.912	691.753	810.955	23.290.327	**25.217.630**
Disposals	(21.732)	(2.362.182)	(725.296)	(222.296)	(6.000)	**(3.337.506)**
Reclassifications	5.067.941	43.223.327	(994.821)	6.205	(47.302.652)	**0**
31 December 2008	**38.923.042**	**116.001.399**	**4.414.462**	**3.347.737**	**5.580.244**	**168.266.884**
Comprising:						
At cost	13.592.841	99.174.806	4.121.291	3.070.225	5.580.244	**125.539.407**
At modified cost	25.330.201	16.826.593	293.171	277.512		**42.727.477**
31 December 2008	**38.923.042**	**116.001.399**	**4.414.462**	**3.347.737**	**5.580.244**	**168.266.884**
1 January 2009	38.923.042	116.001.399	4.414.462	3.347.737	5.580.244	**168.266.884**
Additions	0	170.957	0	38.343	6.020.609	**6.229.909**
Disposals	(14.142)	(6.883.924)	(733.566)	(149.274)	0	**(7.780.906)**
Transfers	0	11.345.620	0	0	(11.345.620)	**0**
31 December 2009	**38.908.900**	**120.634.052**	**3.680.896**	**3.236.806**	**255.233**	**166.715.887**
Comprising:						
At cost	13.578.699	109.092.064	3.402.774	2.972.227	255.233	**129.300.997**
At modified cost	25.330.201	11.541.988	278.122	264.579		**37.414.890**
31 January 2009	**38.908.900**	**120.634.052**	**3.680.896**	**3.236.806**	**255.233**	**166.715.887**
Accumulated depreciation and impairment						
1 January 2008	14.659.176	45.359.104	3.126.850	2.014.773	0	**65.159.903**
Depreciation	890.995	9.917.372	867.744	442.257	0	**12.118.368**
Impairment loss/ (reversal)		15.677		2.830	0	**18.507**
Disposals	(20.193)	(2.117.701)	(647.888)	(221.686)	0	**(3.007.468)**
Reclassifications	0	917.246	(923.424)	6.178	0	**0**
31 December 2008	**15.529.978**	**54.091.698**	**2.423.282**	**2.244.352**	**0**	**74.289.310**
Comprising:						
At cost	2.167.419	38.345.191	2.130.128	1.969.518		**44.612.256**
At modified cost	13.362.559	15.746.507	293.154	274.834		**29.677.054**
31 December 2008	**15.529.978**	**54.091.698**	**2.423.282**	**2.244.352**	**0**	**74.289.310**
1 January 2009	15.529.978	54.091.698	2.423.282	2.244.352	0	**74.289.310**
Depreciation	1.028.617	13.036.886	677.648	433.583	0	**15.176.734**
Impairment loss/ (reversal)	(6.250)	(277.654)	(39.335)	(6.187)	0	**(329.426)**
Disposals	(14.140)	(5.939.400)	(607.169)	(146.245)	0	**(6.706.954)**
31 December 2009	**16.538.205**	**60.911.530**	**2.454.426**	**2.525.503**	**0**	**82.429.664**
Comprising:						
At cost	2.723.681	49.595.901	2.176.320	2.261.147	0	**56.757.049**
At modified cost	13.814.524	11.315.629	278.106	264.356	0	**25.672.615**
31 December 2009	**16.538.205**	**60.911.530**	**2.454.426**	**2.525.503**	**0**	**82.429.664**
Carrying amount 31 December 2008	**23.393.064**	**61.909.701**	**1.991.180**	**1.103.385**	**5.580.244**	**93.977.574**
Carrying amount 31 December 2009	**22.370.695**	**59.722.522**	**1.226.470**	**711.303**	**255.233**	**84.286.223**

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

Depreciation expenses have been charged in cost of finished goods, in cost of sales, in selling costs and in administrative expenses.

As at 31 December 2009, the part of the Company's property, plant and equipment with a carrying value of 15.717.190 Litas (31 December 2008 - 14.008.119 Litas) is pledged as a security for repayment of the loans granted by banks (Note 14).

As at 31 December 2009, the Company's property, plant and equipment with a carrying value of 19.938.202 Litas (31 December 2008 - 20.747.172 Litas) were acquired under finance lease.

As at 31 December 2009, the impairment of the Company's property, plant and equipment amounted to 129.771 Litas (31 December 2008 - 459.196 Litas).

As at 31 December 2009, the acquisition cost of the fully depreciated property, plant and equipment (constructions, equipment and other assets) still in use of the Company was 26.685.716 Litas (31 December 2008- 14.168.908 Litas).

As at 31 December 2009, the Company's constructions in progress include unfinished projects.

Company	**Carrying amount (In LTL)**	**Estimated expenses to completion (In LTL)**	**Estimated date of completion**
Modernization of heat production for wider use of renewable resources	124.191	17.725.000	2011
Other projects	131.042	480.000	04/2010
TOTAL:	**255.233**	**18.205.000**	

7. Intangible assets

Group	Land lease right	Licenses, patents	Software	Other assets and prepayments	TOTAL:
Cost					
1 January 2008	2.400.000	56.238	668.525	17.694	**3.142.457**
Additions	0	0	0	125.320	**125.320**
Disposals	0	0	0	(6.161)	**(6.161)**
Transfers	0	0	125.320	(125.320)	**0**
31 December 2008	**2.400.000**	**56.238**	**793.845**	**11.533**	**3.261.616**
1 January 2009	2.400.000	56.238	793.845	11.533	**3.261.616**
Additions	0	0	802	0	**802**
31 December 2009	**2.400.000**	**56.238**	**794.647**	**11.533**	**3.262.418**
Accumulated amortization					
1 January 2008	115.556	29.837	490.966	16.779	**653.138**
Amortization	26.666	10.369	115.075	1	**152.111**
Disposals	0	0	0	(5.249)	**(5.249)**
31 December 2008	**142.222**	**40.206**	**606.041**	**11.531**	**800.000**
1 January 2009	142.222	40.206	606.041	11.531	**800.000**
Amortization	26.667	9.066	96.153	0	**131.886**
31 December 2009	**168.889**	**49.272**	**702.194**	**11.531**	**931.886**
Carrying amount 31 December 2008	**2.257.778**	**16.032**	**187.804**	**2**	**2.461.616**
Carrying amount 31 December 2009	**2.231.111**	**6.966**	**92.453**	**2**	**2.330.532**

Amortization expenses have been included in administrative expenses.

As at 31 December 2009, the acquisition cost of the fully depreciated intangible assets still in use of the Group was 703.528 Litas (31 December 2008 - 137.755 Litas).

As at 31 December 2009, the Group's land lease rights with a carrying value of 2.231.111 Litas (31 December 2008 - 2.257.778 Litas) are pledged as a security for repayment of the loan granted by banks (Note 14).

Company	Land lease right	Licenses, patents	Software	Other assets and prepayments	TOTAL:
Cost					
1 January 2008	56.238	653.140	12.406	0	**721.784**
Additions	0	0	0	125.320	**125.320**
Disposals	0	0	(6.161)	0	**(6.161)**
Transfers	0	125.320	0	(125.320)	**0**
31 December 2008	**56.238**	**778.460**	**6.245**	**0**	**840.943**
1 January 2009	56.238	778.460	6.245	0	**840.943**
Additions	0	802	0	0	**802**
31 December 2009	**56.238**	**779.262**	**6.245**	**0**	**841.745**
Accumulated amortization					
1 January 2008	29.837	476.246	11.493	0	**517.576**
Amortization	10.369	114.698	0	0	**125.067**
Disposals	0	0	(5.249)	0	**(5.249)**
31 December 2008	**40.206**	**590.944**	**6.244**	**0**	**637.394**
1 January 2009	40.206	590.944	6.244	0	**637.394**
Amortization	9.066	95.916	0	0	**104.982**
31 December 2009	**49.272**	**686.860**	**6.244**	**0**	**742.376**
Carrying amount 31 December 2008	**16.032**	**187.516**	**1**	**0**	**203.549**
Carrying amount 31 December 2009	**6.966**	**92.402**	**1**	**0**	**99.369**

Amortisation expenses have been included in administrative expenses.

As at 31 December 2009, the acquisition cost of fully depreciated intangible assets still in use by the Company amounted to 683.567 Litas (31 December 2008 - 117.794 Litas).

8. Investments in subsidiaries

	2009		2008	
	In LTL	% of ownership	In LTL	% of ownership
UAB "Baltwood"	5.005.000	100	5.005.000	100
UAB "Naujieji Verkiai"	0	100	0	100
UAB "Ekotara"	10.000	100	0	100
TOTAL:	**5.015.000**		**5.005.000**	

At 13 February 2009 the Board of the Company decided to establish a wholly owned subsidiary UAB “Ekotara” with share capital of 10 000 Litas. The share capital is divided into 10 000 ordinary shares with nominal value of 1 Litas each.

9. Inventories

	Group		Company	
	2009	2008	2009	2008
Materials	3.810.541	3.920.928	3.627.898	3.826.432
Work in progress	3.235.730	4.394.147	1.963.139	2.866.955
Finished goods	4.507.780	7.004.843	4.331.382	6.357.733
Goods in transit	6.664	22.053	6.664	22.053
	11.560.715	**15.341.971**	**9.929.083**	**13.073.173**
Less: write-down to net realizable value	(940.636)	(515.067)	(940.636)	(515.067)
TOTAL:	**10.620.079**	**14.826.904**	**8.988.447**	**12.558.106**

As at 31 December 2009, the cost of inventories has been reduced to the net realisable value by 940.636 Litas (as at 31 December 2008: 515.067 Litas). The write-down of inventories to the net realizable value is recognised in administrative expenses.

As at 31 December 2009, the Group's and the Company's inventory with carrying amounts of 14.000.000 Litas and 12.000.000 Litas respectively were pledged as a collateral for the bank loan (as at 3 1 December 2008 - 9.000.000 Litas and 7.000.000 Litas respectively) (Note 14). At January 2010 the collateral value of inventories in the Group and the Company were reduced to 10.000.000 and 8.000.000 Litas respectively.

10. Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
Trades receivable	14.958.381	17.009.290	17.924.692	19.457.219
Other receivable	158.584	1.884.173	155.544	1.703.382
	15.116.965	**18.893.463**	**18.080.236**	**21.160.601**
Less: impairment of doubtful amounts receivable	(885.473)	(122.825)	(829.614)	(102.277)
Total amounts receivable within one year:	**14.231.492**	**18.770.638**	**17.250.622**	**21.058.324**

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

The movement for the year in the allowance for doubtful amounts receivable consisted of the following:

	Group		Company	
	2009	2008	2009	2008
In the beginning of the year	**122.825**	**955.391**	**102.277**	**923.393**
Increase of impairment	762.648	84.792	727.337	69.244
Reversal related to regained debts	0	(917.358)	0	(890.360)
In the end of the year	**885.473**	**122.825**	**829.614**	**102.277**

11. Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
Cash at bank	447.564	100.628	146.725	86.486
Cash on hand	14.037	29.398	11.856	26.986
TOTAL:	**461.601**	**130.026**	**158.581**	**113.472**
Pledged as collateral:	459.420	26.305	158.581	12.163

12. Share capital and reserves

As at 31 December 2009 and 2008, the share capital issued consisted of 60.000.000 ordinary shares with the net value of 1 Litas each. As at 31 December 2009 and 2008, all shares were fully paid. Each share carries a right to vote at shareholders' meetings, to receive dividends when declared and a right to residual assets.

As at 31 December 2009 and 2008, shareholders of the Company were as follows:

	2009		2008	
	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
Lithuanian legal entities	32.556.857	54,26	35.147.796	58,58
Lithuanian individuals	21.323.555	35,54	18.438.861	30,73
Foreign legal entities	6.064.376	10,11	6.312.651	10,52
Foreign individuals	55.212	0,09	100.692	0,17
TOTAL:	**60.000.000**	**100**	**60.000.000**	**100**

Main shareholders:

	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
UAB "Ginvildos investicija"	29.272.228	48,79	28.775.979	47,96
Rosemount Holdings LLC	5.639.967	9,40	5.639.967	9,40
Mišeikis Dailius Juozapas	5.997.932	10,00	4.672.432	7,79
TOTAL:	**40.910.127**	**68,19**	**39.088.378**	**65,15**

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

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

13. Grants

	Grants related to assets	Grants related to expenses	TOTAL:
1 January 2008	341.401	0	**341.401**
Received during the year	0	27.945	**27.945**
Used during the year	(22.760)	(27.945)	**(50.705)**
31 December 2008	**318.641**	**0**	**318.641**
1 January 2009	318.641	0	**318.641**
Received during the year	204.736		**204.736**
Used during the year	(61.438)		**(61.438)**
31 December 2009	**461.938**	**0**	**461.938**

14. Borrowings

	Group		Company	
	2009	**2008**	**2009**	**2008**
The borrowings are repayable as follows:				
Within one year	10.187.027	17.633.628	5.179.527	11.628.424
In the second year	2.997.139	4.683.524	2.997.139	4.683.524
In the third to fifth years inclusive	8.967.301	10.714.439	8.967.301	10.714.439
	22.151.467	**33.031.591**	**17.143.967**	**27.026.387**
Less: amount due for settlement within one year	(10.187.027)	(17.633.628)	(5.179.527)	(11.628.424)
Amount due for settlement after one year	**11.964.440**	**15.397.963**	**11.964.440**	**15.397.963**
Analysis of borrowings by currency:				
LTL	14.667.602	20.260.938	11.717.602	9.255.230
EUR	7.483.865	12.770.653	5.426.365	17.771.157
TOTAL:	**22.151.467**	**33.031.591**	**17.143.967**	**27.026.387**

According to the requirements of the loan agreement, UAB “Baltwood” (the subsidiary) is required to comply with certain covenants. The subsidiary is in default with certain covenants noted in the loan agreement for the years ended 31 December 2009 and 2008. Therefore, the loan of 5.007.500 Litas is accounted for as a current loan on demand. In case the bank will not claim the loan to be repaid fully before the maturity date set in the agreement, the future loan repayments would be as follows:

	In LTL
2010	1.148.208
2011	3.859.292
TOTAL:	**5.007.500**

Covenants calculated by reference to the audited financial statements of UAB “Baltwood” for the year ended 31 December 2009, are as follows:

	Required	Actual
EBITDA to financial liabilities	<3,8	4,1

Terms and debt repayment schedule

The Group and the Company face risk due to possible interest rate fluctuation. Interest rate is fixed for periods from 1 day to 12 months.

Group	Currency	Nominal interest rate base	Year of maturity	Carrying amount
Overdraft	LTL	VILIBOR	2010	268.422
Secured bank loan	LTL	VILIBOR	2010-2013	11.449.180
Secured bank loan	EUR	LIBOR	2010-2014	5.426.365
Secured bank loan	LTL	VILIBOR	2010-2011	2.950.000
Secured bank loan	EUR	LIBOR	2010-2011	2.057.500
TOTAL:				**22.151.467**

Company	Currency	Nominal interest rate base	Year of maturity	Carrying amount
Overdraft	LTL	VILIBOR	2010	268.422
Secured bank loan	LTL	VILIBOR	2010-2013	11.449.180
Secured bank loan	EUR	LIBOR	2010-2014	5.426.365
TOTAL:				**17.143.967**

15. Finance lease liabilities

	Group		Company	
	2009	**2008**	**2009**	**2008**
Lease payments payable within one year	5.747.324	8.752.166	5.481.722	8.371.614
Lease payments payable between one and five years	11.250.095	13.845.481	11.152.669	13.451.795
Total payable:	**16.997.419**	**22.597.647**	**16.634.391**	**21.823.409**
Interest payable	(1.040.146)	(2.351.097)	(1.018.545)	(2.255.020)
Present value of lease payments:	**15.957.273**	**20.246.550**	**15.615.846**	**19.568.389**
Short term lease liabilities	5.275.819	7.653.001	5.026.833	7.321.274
Long term lease liabilities	10.681.454	12.593.549	10.589.013	12.247.115
Present value of lease payments:	**15.957.273**	**20.246.550**	**15.615.846**	**19.568.389**

The fair value of the Group's and the Company's lease liabilities approximate their carrying amount. The Group's and the Company's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 6).

16. Trade and other payables

	Group		Company	
	2009	**2008**	**2009**	**2008**
Trade payables	12.292.638	13.590.037	11.535.391	12.829.579
Taxes, salaries and social insurance	1.889.972	2.722.379	1.696.895	2.621.071
Advances received	146.506	239.309	111.622	131.201
Other payables	588.037	958.982	541.853	732.491
TOTAL:	**14.917.153**	**17.510.707**	**13.885.761**	**16.314.342**

17. Business and geographical segments

Business segments

A business segment is a distinguishable component of an entity that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

For management purposes, the Group is currently organized into three operating divisions - paper, hardboard and wood processing. These divisions are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented below:

Group 2009	**Paper**	**Hardboard**	**Wood processing**	**Unallocated**	**TOTAL:**
Sales	63.308.750	36.756.327	10.863.223	8.001.436	**118.929.736**
Cost of sales	(48.863.974)	(35.055.006)	(9.643.183)	(5.197.523)	**(98.759.686)**
Gross profit	**14.444.776**	**1.701.321**	**1.220.040**	**2.803.913**	**20.170.050**
Depreciation and amortization	8.010.468	4.487.878	1.470.741	2.783.371	**16.752.458**
Segment property, plant and equipment	42.049.297	15.970.456	11.054.916	26.365.839	**95.440.508**
Segment capital expenditure	636.490	604.627	149.662	4.989.594	**6.380.373**

Group 2008	**Paper**	**Hardboard**	**Wood processing**	**Unallocated**	**TOTAL:**
Sales	63.463.304	62.090.442	12.981.172	6.924.471	**145.459.389**
Cost of sales	(53.996.987)	(56.817.898)	(11.172.714)	(7.625.628)	**(129.613.227)**
Gross profit	**9.466.317**	**5.272.544**	**1.808.458**	**(701.157)**	**15.846.162**
Depreciation and amortization	6.133.872	3.387.045	1.510.097	2.722.518	**13.753.532**
Segment property, plant and equipment	51.553.137	19.852.257	12.375.995	22.775.729	**106.557.118**
Segment capital expenditure	14.193.597	2.451.249	227.120	8.698.104	**25.570.070**

Company 2009	Paper	Hardboard	Unallocated	TOTAL:
Sales	63.779.643	36.764.929	9.164.764	**109.709.336**
Cost of sales	(49.413.427)	(35.063.523)	(6.535.076)	**(91.012.026)**
Gross profit	**14.366.216**	**1.701.406**	**2.629.688**	**18.697.310**
Depreciation and amortization	8.010.468	4.487.878	2.783.370	**15.281.716**
Segment property, plant and equipment	42.049.297	15.970.456	26.365.839	**84.385.592**
Segment capital expenditure	636.490	604.627	4.989.594	**6.230.711**

Company 2008	Paper	Hardboard	Unallocated	TOTAL:
Sales	63.466.947	62.109.349	9.888.819	**135.465.115**
Cost of sales	(53.996.989)	(56.817.866)	(9.429.057)	**(120.243.912)**
Gross profit	**9.469.958**	**5.291.483**	**459.762**	**15.221.203**
Depreciation and amortization	6.133.872	3.387.045	2.722.518	**12.243.435**
Segment property, plant and equipment	51.553.137	19.852.257	22.775.729	**94.181.123**
Segment capital expenditure	14.193.597	2.451.249	8.698.104	**25.342.950**

Geographical segments

A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of components operating in other economic environments. The Group's reportable geographic segments for the year ended 31 December are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Domestic market	**66.651.112**	**87.636.046**	**60.169.283**	**79.041.082**
Foreign market				
Latvia	10.261.059	8.652.515	9.126.176	8.582.569
Poland	7.634.539	14.373.403	7.536.625	14.359.773
Sweden	7.351.612	10.191.963	7.351.612	10.188.510
Denmark	6.754.498	2.008.449	6.576.238	1.479.009
Estonia	4.594.331	7.621.430	4.594.331	7.621.430
The Netherlands	3.149.024	2.603.773	3.149.024	2.583.799
Slovakia	2.936.754	1.170.394	2.936.754	1.170.394
Finland	1.832.893	2.340.836	1.832.893	2.340.836
Great Britain	1.451.464	541.369	1.430.747	533.932
Norway	1.340.322	1.169.807	1.340.322	1.168.446
Czech Republic	1.280.158	3.872.116	1.214.340	3.270.714
Germany	656.879	553.851	555.526	524.738
Belarus	563.732	1.058.032	563.732	1.058.032
Italy	512.879			
Hungary	440.864	120.080	124.263	50.512
France	12.679	46.194	0	
USA	0	116.709	0	116.709
Other countries	1.504.937	1.382.422	1.207.470	1.374.630
Foreign market, total	**52.278.624**	**57.823.343**	**49.540.053**	**56.424.033**
TOTAL:	**118.929.736**	**145.459.389**	**109.709.336**	**135.465.115**

18. Other operating income

	Group 2009	Group 2008	Company 2009	Company 2008
Gain from sale of emission rights	1.511.636	1.028.934	1.511.636	1.028.934
Rental income	596.783	681.166	647.959	838.165
Income from sale of scrap	294.189	360.109	291.632	348.460
Insurance compensations	27.622	0	22.590	0
Gain from disposal of property, plant and equipment	16.333	148.249	16.333	148.249
Write-off of accounts payables	2.808	322	2.808	322
Other income	78.271	52.435	136.657	85.867
TOTAL:	**2.527.642**	**2.271.215**	**2.629.615**	**2.449.997**

19. Other operating expenses

	Group 2009	Group 2008	Company 2009	Company 2008
Rental expenses	169.898	317.049	169.898	317.049
Insurance expenses	0	21.216	0	8.302
Other expenses	75.491	54.444	75.491	54.441
TOTAL:	**245.389**	**392.709**	**245.389**	**379.792**

20. Selling and distribution expenses

	Group 2009	Group 2008	Company 2009	Company 2008
Transportation expenses	3.313.760	3.153.620	3.010.182	2.905.359
Salaries and related taxes	2.150.399	2.098.390	1.996.322	1.995.415
Mediation, research and marketing expenses	1.105.018	464.757	1.105.018	464.757
Repairs and maintenance	480.172	647.062	464.586	598.145
Own transport expenses	320.226	320.557	285.404	320.557
Advertisement expenses	176.874	430.326	170.486	428.886
Sales credit insurance expenses	145.538	81.373	145.538	81.373
Depreciation	108.327	72.497	101.619	65.789
Representation expenses	79.107	54.456	79.107	54.456
Business trip expenses	57.373	67.194	57.373	67.194
Communication expenses	39.696	51.963	39.696	51.963
New product development expenses	39.201	70.756	39.201	70.756
Harbour services expenses	30.337	11.692	30.337	11.692
Other sales expenses	202.972	206.480	194.205	198.997
TOTAL:	**8.249.000**	**7.731.123**	**7.719.074**	**7.315.339**

21. Administrative expenses

	Group		Company	
	2009	**2008**	**2009**	**2008**
Salaries and related expenses	3.758.518	4.423.555	3.296.352	3.887.385
Depreciation and amortization	791.652	580.287	634.890	242.378
Provision for doubtful accounts receivable (reversal), write-off of bad debts	762.648	(832.567)	727.337	(821.116)
Taxes	745.655	1.004.856	682.497	920.894
Redundancy pay and related taxes	456.758	525.458	456.758	525.458
Repairs and maintenance	452.415	861.739	450.940	860.453
Allowance (reversal) for slow moving inventory	425.569	354.527	425.569	354.527
Transport expenses	373.888	598.590	309.982	517.791
Security expenses	354.693	568.024	374.693	568.024
Insurance expenses	232.181	213.199	172.765	160.728
Bank charges	151.570	189.762	138.003	159.633
Consulting services	111.650	259.119	111.650	259.119
Professional services	106.980	130.745	106.980	107.745
Communication costs	67.443	117.644	67.443	117.644
Expenses under social program	60.891	639.342	60.811	638.245
Advertisement and representation expenses	52.689	273.804	46.247	273.804
Business trip expenses	44.034	67.457	44.034	67.457
Restitution in case of disablement	37.926	42.483	37.926	42.483
Write-off or property, plant and equipment	36.515	6.226	36.515	6.226
Staff recruitment expenses	36.348	139.069	36.348	139.069
Employee training expenses	25.240	198.280	25.240	198.280
Membership and admission fees	12.752	12.514	12.752	12.514
Write-off or property, plant and equipment	515	1.208.598	265	1.208.598
Recoverable training expenses	0	(27.945)	0	(27.945)
Vacation reserve	(157.568)	(862.172)	(157.568)	(862.172)
Property, plant and equipment impairment losses (reversal)	(329.426)	18.507	(329.426)	18.507
Other administrative expenses	439.240	485.920	305.716	331.531
TOTAL:	**9.050.776**	**11.197.021**	**8.074.719**	**9.907.260**

22. Financial income and expenses

	Group		Company	
	2009	**2008**	**2009**	**2008**
Interest income	961	1.011	805	698
Other finance income	4.504	109	2.179	109
Total finance income	**5.465**	**1.120**	**2.984**	**807**
Interest on loans and leases	(1.922.076)	(3.208.924)	(1.704.028)	(2.719.336)
Net foreign exchange losses	(31.830)	(34.440)	(30.350)	(33.631)
Other finance expenses	(32.988)	(63.553)	(9.418)	(59.902)
Total finance expenses	**(1.986.894)**	**(3.306.917)**	**(1.743.796)**	**(2.812.869)**
Finance income and expenses, net	**(1.981.429)**	**(3.305.797)**	**(1.740.812)**	**(2.812.062)**

23. Income Tax

Income tax expense (benefit)

	Group 2009	Group 2008	Company 2009	Company 2008
Current tax	651.046	0	651.046	0
Correction of current tax for previous periods	(1.757)	(83.542)	(1.757)	(83.542)
Deferred tax benefit	(107.750)	(513.681)	(107.750)	(171.014)
Income tax expense (benefit)	**541.539**	**(597.223)**	**541.539**	**(254.556)**

A reconciliation of the effective rate of tax with theoretical amount calculated using statutory tax rate

	Group 2009	Group 2008	Company 2009	Company 2008
Profit before tax	**3.171.098**	**(4.509.273)**	**3.546.931**	**(2.743.253)**
Tax at the statutory income taxes rate of 20% (2008 - 15%)	634.220	(676.391)	709.386	(411.488)
Tax effect of non-allowable deductions	417.082	496.197	391.453	488.629
Tax effect of income adjustment		472		472
Tax effect of non-taxable income	(29.592)	(14.521)	(26.685)	(9.553)
Tax effect of temporary differences between recognition of expenses in financial and tax reporting	(98.644)	(282.504)	(98.644)	(275.915)
Tax effect of charity	(26.250)		(26.250)	
Tax effect of carry forward losses	(298.213)		(298.213)	
Current year tax loss	52.445	476.747		207.854
Correction of current tax for previous periods	(1.757)	(83.542)	(1.757)	(83.542)
Change in deferred tax	(23.732)	(603.632)	(23.732)	(260.965)
Tax effect of change in tax rate	(84.018)	89.951	(84.018)	89.951
Income tax expense (benefit)	**541.539**	**(597.223)**	**541.539**	**(254.556)**

Current tax asset and liabilities

	Group 2009	Group 2008	Company 2009	Company 2008
Income tax receivable as at 1 January	**1.332.593**	**495.182**	**1.332.593**	**495.182**
Income tax for the period	(651.046)	83.542	(651.046)	83.542
Recovered	(817.727)		(817.727)	
Paid	160.000	753.869	160.000	753.869
Adjustments	2.045		2.045	
Income tax receivable as at 31 December	**25.865**	**1.332.593**	**25.865**	**1.332.593**

Deferred tax asset and liabilities

	Group 2009	Group 2008	Company 2009	Company 2008
Intangible assets (land lease)	(334.667)	(451.556)	0	0
Tangible assets (investment allowance)	(366.096)	(553.236)	(366.096)	(553.236)
Tangible assets (repairs)	(60.901)	(83.704)	(60.901)	(83.704)
Receivables	8.379	4.110	0	0
Labour related liabilities	195.858	21.658	174.947	0
Tax losses	854.996	1.364.688	0	277.139
Impairment	(549.619)	(661.762)	0	0
TOTAL:	**(252.051)**	**(359.801)**	**(252.051)**	**(359.801)**

Changes in temporary differences

Group	**31/12/2007**	**Recognized in income**	**31/12/2008**	**Recognized in income**	**31/12/2009**
Intangible assets (land lease)	(2.284.447)	26.667	(2.257.780)	26.667	(2.231.113)
Tangible assets (investment allowance)	(3.106.328)	340.147	(2.766.180)	325.537	(2.440.643)
Tangible assets (repairs)	(431.029)	12.511	(418.518)	12.511	(406.007)
Receivables		20.548	20.548	35.311	55.859
Labour related liabilities		108.292	108.292	1.197.425	1.305.717
Tax losses	3.645.127	3.178.314	6.823.441	(1.123.468)	5.699.973
Other	(1.417)	1.417		0	
Impairment	(3.645.127)	336.317	(3.308.810)	(355.313)	(3.664.123)
TOTAL:	**(5.823.220)**	**4.024.213**	**(1.799.007)**	**118.670**	**(1.680.337)**
Deferred tax	**(873.483)**	**513.682**	**(359.801)**	**107.750**	**(252.051)**
Change in deferred tax attributable to:					
Change in temporary differences		603.632		23.733	
Change in tax rate		(89.950)		84.017	

Company	**31/12/2007**	**Recognized in income**	**31/12/2008**	**Recognized in income**	**31/12/2009**
Tangible assets (investment allowance)	(3.106.328)	340.147	(2.766.180)	325.537	(2.440.643)
Tangible assets (repairs)	(431.029)	12.511	(418.518)	12.511	(406.007)
Labour related liabilities				1.166.304	1.166.304
Tax losses		1.385.693	1.385.693	(1.385.693)	
Other	(1.417)	1.417			
TOTAL:	**(3.538.773)**	**1.739.768**	**(1.799.005)**	**118.659**	**(1.680.346)**
Deferred tax	**(530.816)**	**171.015**	**(359.801)**	**107.750**	**(252.051)**
Change in deferred tax attributable to:					
Change in temporary differences		260.965		23.733	
Change in tax rate		(89.950)		84.017	

24. Earnings per share

The General Meeting of Shareholders decided to increase authorized share capital by a capitalization issue on 25 April 2008. The Company issued 20.043.343 ordinary shares at par value of 1 Litas from its reserves. Average number of ordinary shares was adjusted to reflect capitalization issue.

	Group		Company	
	2009	2008	2009	2008
Net profit for the current year, LTL	2.629.559	(3.912.050)	3.005.392	(2.488.697)
Average number of ordinary shares	60.000.000	60.000.000	60.000.000	60.000.000
Earnings per share	**0,04**	**(0,07)**	**0,05**	**(0,04)**

The Company had no dilutive shares outstanding during 2009 and 2008 or as at 31 December 2009 and 2008.

25. Commitments and Contingencies

Litigation and claims

As at 31 December 2009 and 2008, the Group and the Company were not involved in any legal proceedings, which in the opinion of the management would have a material impact on the financial statements.

Commitments

The Company intends to enter into surety agreement with bank for securing fulfilment of obligations of its subsidiary that originated from loan agreements. The surety shall be valid until these covenants will be met by the Company and by its subsidiary:

- Yearly EBITDA – at least 2.700.000 Litas.
- Debt-Service Coverage ration – at least 1,3.
- Net financial debts to EBITDA ratio – no more than 1,5.
- Value of collateral is sufficient to secure credit repayment and valuation is not more than 6 month old.

On 23 March the Company confirmed its intentions to provide financial support to its subsidiary at least until a meeting of shareholders for the financial year 2010 is called up.

26. Related party transactions

Group 2009	Sale of goods and services	Purchase of goods and services	Amounts receivable	Amounts payable
UAB „Ginvildos investicija“	329	161.276	0	11.754
UAB „Didma“	362.453	190.581	129.985	0
UAB „Remada“	873	0	5.228	0
UAB "Ekotara"	0	0	9.842	0
UAB „Naras“	53.260	0	0	0
TOTAL:	**416.915**	**351.857**	**145.055**	**11.754**

Group 2008	Sale of goods and services	Purchase of goods and services	Amounts receivable	Amounts payable
UAB „Ginvildos investicija“	2.632	146.000	0	11.037
UAB „Didma“	410.813	532.624	157.133	0
UAB „Remada“	8.688	0	4.189	0
UAB „Naras“	68.238	13.305	9.656	0
TOTAL:	**490.371**	**691.929**	**170.978**	**11.037**

Company 2009	Sale of goods and services	Purchase of goods and services	Amounts receivable	Amounts payable
UAB „Baltwood“	1.782.502	1.411.285	4.187.969	0
UAB „Ginvildos investicija“	329	154.850	0	11.754
UAB „Didma“	3.274	173.781	237	0
UAB „Remada“	873	0	5.228	0
UAB „Naras“	53.260	0	9.842	0
UAB "Naujieji Verkiai"	0	9.500	0	3.500
TOTAL:	**1.840.238**	**1.749.416**	**4.203.276**	**15.254**

Company 2008	Sale of goods and services	Purchase of goods and services	Amounts receivable	Amounts payable
UAB „Baltwood“	2.986.899	1.803.399	4.056.200	0
UAB „Ginvildos investicija“	2.632	146.000	0	11.037
UAB „Didma“	125.584	505.602	23.481	0
UAB „Remada“	8.688	0	4.189	0
UAB „Naras“	68.238	13.305	9.656	0
TOTAL:	**3.192.041**	**2.468.306**	**4.093.526**	**11.037**

UAB Ginvildos Investicija is the main shareholder of AB Grigiškės. UAB Didma, UAB Remada and UAB Naras are related to the Group management. All transactions with related parties were concluded on an arm's length basis. UAB Baltwood and UAB Naujieji Verkiai are subsidiaries of The Company.

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

	Group		Company	
	2009	2008	2009	2008
Management remuneration	1.055.237	1.003.404	947.020	884.627
Average number of managers	8	8	7	7

27. Off-balance sheet items

Information on emission rights

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

The Company received 256.626 units of emission rights for the period 2008-2012. In addition 10.150 were received from a reserve, making a total of 266.766 rights. The number of rights is equally apportioned for each year. Accordingly, 53.356 were attributed to 2009.

Emission rights	**Quantity**
31 December 2007	**673**
Unused emission rights returned	(673)
Emission rights allocated	53.356
Emission rights used	(45.973)
Sale of emission right	(20.000)
31 December 2008	**(12.617)**
Emission rights allocated	53.356
Emission rights used	(33.356)
Sale of emission right	(38.000)
31 December 2009	**(30.617)**

The shortage of emission rights as at 31 December 2009 was covered from the rights received in 2010 before reporting to the regional environment protection department. There was no liability recognized in the statement of financial position arising from shortage of rights because it is not expected to incur expenses for the acquisition of required emission rights.

28. Subsequent events

GRIGIŠKĖS AB and HANNER AB have signed a memorandum of finishing of the shares’ selling-purchasing transaction. By this transaction, HANNER AB has sold and GRIGIŠKĖS AB has purchased 100 % of shares of AGR Prekyba UAB. The AGR Prekyba UAB owns 100 % of shares of AVESKO UAB. The latter owns 96,18 % shares of KLAIPĖDOS KARTONAS AB. The objective of this transaction is to expand the business of corrugated board and products made of corrugated board of GRIGIŠKĖS AB.

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