AB „GRIGIŠKĖS“

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement 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.

UAB „Tezaurus auditas“

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Basis for Modified Opinion

As was the case for the year ended 31 December 2007, the Group's and the Company's property, plant and equipment as at 31 December 2008 include assets with a carrying amount of 19 265 thousand Litas (21 348 thousand Litas as at 31 December 2007) 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. 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, with a carrying amount of 19 265 thousand Litas (21 348 thousand Litas as at 31 December 2007), 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 2008, 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 2008 and have not identified any material inconsistencies between the financial information for the year 2008 included in the annual report and the financial statements for the year ended 31 December 2008.

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

10 April 2009
Vilnius, Lithuania

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

BALANCE SHEET
AT 31 DECEMBER 2008

	Notes	Group		Company	
		2008 LTL	2007 LTL	2008 LTL	2007 LTL
ASSETS					
Non-current assets					
Tangible assets	6	104.095.502	92.600.718	93.977.574	81.226.857
Intangible assets	7	2.461.616	2.489.319	203.549	204.208
Investments in subsidiary	8	0	0	5.005.000	5.005.000
Total non-current assets		**106.557.118**	**95.090.037**	**99.186.123**	**86.436.065**
Current assets					
Cash and cash equivalents	10	130.026	399.980	113.472	321.861
Loans granted		0	0	0	0
Trade and other receivables	9	18.770.638	19.837.056	21.058.324	21.250.698
Inventories	11	14.826.904	16.217.413	12.558.106	12.598.837
Other assets		408.583	496.944	383.625	417.766
Total current assets		**34.136.151**	**36.951.393**	**34.113.527**	**34.589.162**
TOTAL ASSETS		**140.693.269**	**132.041.430**	**133.299.650**	**121.025.227**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital		60.000.000	39.956.657	60.000.000	39.956.657
Legal reserve		3.995.665	3.995.665	3.995.665	3.995.665
Retained earnings		1.017.966	26.973.359	2.011.604	26.543.644
Total equity		**65.013.631**	**70.925.681**	**66.007.269**	**70.495.966**
Non-current liabilities					
Grants	13	318.641	341.401	318.641	341.401
Bank loans	14	15.397.963	9.946.962	15.397.963	9.946.962
Obligations under finance leases	15	12.593.549	6.123.473	12.247.115	5.521.007
Deferred tax liability	23	359.801	873.483	359.801	530.816
Total non-current liabilities		**28.669.954**	**17.285.319**	**28.323.520**	**16.340.186**
Current liabilities					
Bank loans	14	17.633.628	16.546.361	11.628.424	9.592.950
Obligations under finance leases	15	7.653.001	3.977.122	7.321.274	3.614.854
Factoring		4.212.348	4.257.777	3.704.821	3.174.826
Trade and other payables	16	17.510.707	19.049.170	16.314.342	17.806.445
Total current liabilities		**47.009.684**	**43.830.430**	**38.968.861**	**34.189.075**
Total liabilities		**75.679.638**	**61.115.749**	**67.292.381**	**50.529.261**
TOTAL EQUITY AND LIABILITIES:		**140.693.269**	**132.041.430**	**133.299.650**	**121.025.227**

The accompanying explanatory notes are an integral part of these financial statements
The financial statements were approved by the management on 10 April 2009 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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Group		Company	
		2008 LTL	2007 LTL	2008 LTL	2007 LTL
Revenue	17	145.459.389	144.011.656	135.465.115	134.054.619
Cost of sales	17	(129.613.227)	(117.008.916)	(120.243.912)	(108.696.308)
Gross profit		**15.846.162**	**27.002.740**	**15.221.203**	**25.358.311**
Other operating income	18	2.271.215	923.083	2.449.997	1.178.022
Selling and distribution expenses	20	(7.731.123)	(8.980.038)	(7.315.339)	(8.574.272)
Administrative expenses	21	(11.197.021)	(9.988.878)	(9.907.260)	(9.120.380)
Other operating expenses	19	(392.706)	(332.053)	(379.792)	(332.002)
Profit from operating activities		**(1.203.473)**	**8.624.854**	**68.809**	**8.509.679**
Finance income	22	1.120	418	807	418
Finance expenses	22	(3.306.917)	(2.101.885)	(2.812.869)	(1.594.533)
Profit before income tax		**(4.509.270)**	**6.523.387**	**(2.743.253)**	**6.915.564**
Income tax expense	23	597.223	(1.394.812)	254.556	(1.399.612)
PROFIT FOR THE PERIOD		**(3.912.047)**	**5.128.575**	**(2.488.697)**	**5.515.952**
Basic and diluted earnings per share	**24**	**(0,07)**	**0,09**	**(0,04)**	**0,09**

The accompanying explanatory notes are an integral part of these financial statements
The financial statements were approved by the management on 10 April 2009 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 2008

Group, LTL	Share capital	Legal reserve	Retained earnings	TOTAL:
At 31 December 2006	**39.956.657**	**3.995.665**	**23.844.784**	**67.797.106**
Dividends paid			(2.000.000)	(2.000.000)
Net profit			5.128.575	5.128.575
At 31 December 2007	**39.956.657**	**3.995.665**	**26.973.359**	**70.925.681**
Transfer to legal reserve	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**

Company, LTL	Share capital	Legal reserve	Retained earnings	TOTAL:
At 31 December 2006	**39.956.657**	**3.995.665**	**23.027.692**	**66.980.014**
Dividends paid			(2.000.000)	**(2.000.000)**
Net profit			5.515.952	**5.515.952**
At 31 December 2007	**39.956.657**	**3.995.665**	**26.543.644**	**70.495.966**
Transfer to legal reserve	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**

The accompanying explanatory notes are an integral part of these financial statements
The financial statements were approved by the management on 10 April 2009 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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Group		Company	
	2008	**2007**	**2008**	**2007**
	LTL	**LTL**	**LTL**	**LTL**
OPERATING ACTIVITIES				
Profit before income tax	**(4.509.273)**	**6.528.387**	**(2.743.253)**	**6.915.564**
Adjustments for:				
Depreciation and amortisation	13.753.532	11.203.701	12.243.435	9.670.360
Interest income	(1.011)	(418)	(698)	(418)
Finance costs	3.208.924	2.039.648	2.719.336	1.537.073
Net foreign exchange loss	34.440	49.738	33.631	49.184
Profit on disposal of property, plant and equipment	(148.249)	(38.217)	(148.249)	(37.538)
Profit on disposal of emission rights	(1.028.934)	(1.709)	(1.028.934)	(1.709)
Provisions (reversal) for slow moving inventory, write-off to net realizable value and low value inventory	354.527	130.165	354.527	130.165
Property, plant and equipment impairment losses (reversal)	18.507	(212.111)	18.507	(212.111)
Provision for doubtful accounts receivable (reversal), write-off of bad accounts receivable and loans	(832.566)	(126.124)	(821.116)	(131.124)
	10.849.897	**19.573.060**	**10.627.186**	**17.919.446**
Changes in operating assets and liabilities:				
(Increase) decrease in other assets	88.361	(7.379)	34.141	(43.025)
Decrease (increase) in trade and other receivables	4.126.699	(2.227.451)	3.241.205	(2.658.700)
(Increase) in inventories	1.035.982	(4.653.060)	(313.796)	(3.340.856)
Increase (decrease) in trade and other payables	(800.884)	5.304.725	(178.291)	5.080.598
	15.300.055	**17.989.895**	**13.410.445**	**16.957.463**
Interest paid	(3.211.722)	(2.031.448)	(2.722.134)	(1.536.020)
Income tax paid	(753.869)	(1.699.143)	(753.869)	(1.699.143)
Net cash from operating activities	**11.334.464**	**14.259.304**	**9.934.442**	**13.722.300**

Continued

	Group		Company	
	2008 LTL	**2007 LTL**	**2008 LTL**	**2007 LTL**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	(13.083.132)	(11.420.656)	(12.958.412)	(11.061.112)
Proceeds on disposal of property, plant and equipment	470.856	333.746	470.856	329.085
proceeds on disposal of emission rights	1.028.934	1.709	1.028.934	1.709
Interest received	1.011	418	698	418
Repayment of loans granted		9.677		9.677
Net cash (used in) investing activities	**(11.582.331)**	**(11.075.106)**	**(11.457.924)**	**(10.720.223)**
FINANCING ACTIVITIES				
Dividends paid	(2.000.000)	(2.000.000)	(2.000.000)	(2.000.000)
Repayments of borrowings	(5.200.419)	(5.174.067)	(4.252.212)	(4.225.859)
Proceeds from borrowings	11.738.687	9.064.610	11.738.687	7.950.300
Repayments of finance lease liabilities	(4.560.355)	(5.246.200)	(4.171.382)	(4.866.104)
Net cash from (used in) financing activities	**(22.087)**	**(3.355.657)**	**1.315.093**	**(3.141.663)**
Net (decrease)/increase in cash	**(269.954)**	**(171.459)**	**(208.389)**	**(139.586)**
CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE YEAR	**399.980**	**571.439**	**321.861**	**461.447**
CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE YEAR	**130.026**	**399.980**	**113.472**	**321.861**

The accompanying explanatory notes are an integral part of these financial statements
The financial statements were approved by the management on 10 April 2009 and signed on its behalf by:

Gintautas Pangonis
General Director

Nina Šileriene
Finance Director

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

NOTES
FOR THE YEAR ENDED 31 DECEMBER 2008

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 its wholly owned (100%) subsidiary UAB „Baltwood“ as at 31 December 2008 and 2007. 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
UAB "Grigiškių transporto centras"	Lithuania	Vilniaus m. sav. Grigiškių m. Vilniaus g. 10	Resale of used vehicles

The financial statements of UAB Grigiškių Transporto Centras are not consolidated in 2008 and 2006 as the company did not trade during this period.

As at 31 December 2008, the Group and Company employed 656 and 580 people respectively (in 2007: 819 and 724 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 10 April 2009 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.

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 balance sheet 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 2008 were as follows:

	2008	**2007**
1 USD	2,4507 LTL	2,3572 LTL
1 EUR	3,4528 LTL	3,4528 LTL
1 GBP	3,5517 LTL	4,7088 LTL
10 PLN	8,3326 LTL	9,5713 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 which are as follows:

	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 balance sheet.

In case the Group is 'short' of allowances, the liability is recognized on the balance sheet 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 balance sheet 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 income statement.

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 balance sheet 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.

Standards, interpretations and amendments to published standards that are not yet effective

New standards, amendments to standards and interpretations are not yet effective or not yet adopted by the BU for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

- Revised IFRS 2 Share-based Payment (effective from 1 January 2009). The revised Standard will clarifies the definition of vesting conditions and non-vesting conditions. Based on the revised Standards failure to meet non-vesting conditions will generally result in treatment as a cancellation. 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). The scope of the revised Standard has been amended and the definition of a business has been expanded. Revised IFRS 3 is relevant to the Group. However, the Group has not yet completed its analysis of the impact of the revised Standard.
- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure 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. The Group has not yet completed its analysis of the impact of the revised Standard.
- 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). The Group is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.

- 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 not yet completed its analysis of the impact of the revised Standard.
- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and 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.
- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Group's operations as the Group has not entered into any share-based payments arrangements.
- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations as the Group has not entered into any service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes (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 obligations 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 obligations. 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 interpretation addresses:

• when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19;
• how a MFR might affect the availability of reductions in future contributions; and
• when a MFR might give rise to a liability.

No additional liability need be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The Group has not yet completed its analysis of the impact of the new interpretation.

4. Significant accounting estimates and judgements

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 judgements 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 2008 was:

	Carrying amount	
In LTL	**Group**	**Company**
Cash and cash equivalents	130.026	113.472
Trade and other receivables	18.770.638	21.058.324
Other assets	408.583	383.625
TOTAL:	**19.309.247**	**21.555.421**

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

In LTL	Carrying amount Group	Company
Domestic	14.108.902	16.447.119
Other Europe country	3.917.424	3.847.909
Euro-zone countries	306.307	325.291
Other regions	261.629	261.629
United Kingdom	176.376	176.376
TOTAL:	**18.770.638**	**21.058.324**

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	2.463.240	13%	2.463.240	12%
Debtor 2	1.567.518	8%	1.567.518	7%
Debtor 3	1.153.350	6%	1.153.350	5%
Debtor 4	1.050.299	6%	1.050.299	5%
Other debtors	12.536.231	67%	14.823.917	70%
TOTAL:	**18.770.638**	**100%**	**21.058.324**	**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 7 000 000 Litas 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 2008, 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 2007 and 31 December 2008.

The Company's foreign currency exchange risk has been concentrated in the below provided items of the balance sheet:

	Group			
	USD	EUR	LTL	Other
Receivables		4.651.186	12.235.279	
Cash and cash equivalents		43.701	85.276	1.049
Borrowings		30.302.167	27.188.322	
Payables	644	3.371.823	10.216.423	1.127
TOTAL:	**644**	**38.368.877**	**49.725.300**	**2.176**

	Company			
	USD	EUR	LTL	Other
Receivables		4.611.205	14.743.737	
Cash and cash equivalents		43.696	68.727	1.049
Borrowings		27.296.460	23.003.138	
Payables	664	3.354.531	9.473.257	1.127
TOTAL:	**664**	**35.305.892**	**47.288.859**	**2.176**

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

As at 31 December, property, plant and equipment of the Group consisted of the following:

Group	Buildings and constructions	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL:
Modified cost						
1 January 2007	35.698.324	82.281.732	6.134.857	2.790.953	22.149.423	**149.055.289**
Additions	39.446	960.737	935.718	311.398	12.296.319	**14.543.618**
Disposals	(40.022)	(1.135.028)	(377.727)	(199.983)	0	**(1.752.760)**
Transfers	39.269	4.802.189	0	0	(4.841.458)	**0**
31 December 2007	**35.737.017**	**86.909.630**	**6.692.848**	**2.902.368**	**29.604.284**	**161.846.147**
Comprising:						
At cost	6.839.144	60.942.713	6.114.065	2.615.539	29.604.284	**106.115.745**
At modified cost	28.897.873	25.966.917	578.783	286.829	0	**55.730.402**
31 December 2007	**35.737.017**	**86.909.630**	**6.692.848**	**2.902.368**	**29.604.284**	**161.846.147**
1 January 2008	35.737.017	86.909.630	6.692.848	2.902.368	29.604.284	**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)**
Transfers	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**	**3.509.637**	**5.585.959**	**183.953.391**
Comprising:						
At cost	11.986.931	103.230.527	5.541.742	3.232.125	5.585.959	**129.577.284**
At modified cost	28.891.978	24.891.258	315.359	277.512	0	**54.376.107**
31 January 2008	**40.878.909**	**128.121.785**	**5.857.101**	**3.509.637**	**5.585.959**	**183.953.391**
Accumulated depreciation and impairment						
1 January 2007	13.996.754	40.723.770	3.248.682	1.894.852	0	**59.864.058**
Depreciation	905.319	8.821.891	918.032	399.801	0	**11.045.043**
Impairment loss/(reversal	0	(212.111)	0	0	0	**(212.111)**
Disposals	(32.271)	(916.174)	(312.572)	(190.544)	0	**(1.451.561)**
31 December 2007	**14.869.802**	**48.417.376**	**3.854.142**	**2.104.109**	**0**	**69.245.429**
Comprising:						
At cost	1.163.672	28.580.500	3.297.094	1.821.428	0	**34.862.694**
At modified cost	13.706.130	19.836.876	557.048	282.681	0	**34.382.735**
31 December 2007	**14.869.802**	**48.417.376**	**3.854.142**	**2.104.109**	**0**	**69.245.429**
1 January 2008	14.869.802	48.417.376	3.854.142	2.104.109	0	**69.245.429**
1 January 2007	943.620	11.156.289	1.036.807	464.705	0	**13.601.421**
Depreciation	0	15.677	0	2.830	0	**18.507**
Impairment loss/(reversal	(20.193)	(2.117.701)	(647.888)	(221.686)	0	**(3.007.468)**
Disposals	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	1.508.717	38.147.998	3.008.320	2.081.302	0	**44.746.337**
At modified cost	14.284.512	20.240.889	311.317	274.834	0	**35.111.552**
31 December 2008	**15.793.229**	**58.388.887**	**3.319.637**	**2.356.136**	**0**	**79.857.889**
Carrying amount						
31 December 2007	**20.867.215**	**38.492.254**	**2.838.706**	**798.259**	**29.604.284**	**92.600.718**
Carrying amount						
31 December 2008	**25.085.680**	**69.732.898**	**2.537.464**	**1.153.501**	**5.585.959**	**104.095.502**

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 2008, the part of the Group's property, plant and equipment with a carrying value of 22.546.424 Litas (31 December 2007 - 18.901.606 Litas) is pledged as a security for repayment of the loans granted by banks (Note 14).

As at 31 December 2008, the Group's property, plant and equipment with a carrying value of 22.183.785 Litas (31 December 2007 - 12 079 223 Litas) were acquired under finance lease.

As at 31 December 2008, the impairment of the Group's property, plant and equipment amounted to 459.196 Litas (31 December 2007-440.690 Litas).

As at 31 December 2008, the acquisition cost of the fully depreciated property, plant and equipment (constructions, equipment and other assets) still in use of the Group was 14.814.829 Litas (31 December 2007 - 13.418.320 Litas).

As at 31 December 2008, the Group's constructions in progress include unfinished projects:

	Carrying amount (In LTL)	**Estimated expenses to completion (In LTL)**	**Estimated date of completion**
Construction in progress	4.175.082	8.815.000	April - May, 2009

31 December 2008 and 2007, plant and equipment of the Group consisted of the following:

Company	Buildings and constructions	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL:
Modified cost						
1 January 2007	33.773.470	72.292.487	4.917.913	2.679.058	20.272.696	**133.935.624**
Additions	8.433	897.333	883.530	268.082	12.121.692	**14.179.070**
Disposals	(40.022)	(1.135.028)	(358.617)	(194.267)	0	**(1.727.934)**
Transfers	39.269	2.756.550	0	0	(2.795.819)	**0**
31 December 2007	**33.781.150**	**74.811.342**	**5.442.826**	**2.752.873**	**29.598.569**	**146.386.760**
Comprising:						
At cost	4.883.277	48.844.425	4.864.043	2.466.044	29.598.569	**90.656.358**
At modified cost	28.897.873	25.966.917	578.783	286.829	0	**55.730.402**
31 December 2007	**33.781.150**	**74.811.342**	**5.442.826**	**2.752.873**	**29.598.569**	**146.386.760**
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)**
Transfers	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	10.031.064	91.110.141	4.099.103	3.070.225	5.580.244	**113.890.777**
At modified cost	28.891.978	24.891.258	315.359	277.512	0	**54.376.107**
31 January 2008	**38.923.042**	**116.001.399**	**4.414.462**	**3.347.737**	**5.580.244**	**168.266.884**
Accumulated depreciation and impairment						
1 January 2007	13.837.882	38.865.084	2.744.137	1.822.149	0	**57.269.252**
Depreciation	853.565	7.622.305	680.157	383.168	0	**9.539.195**
Impairment loss/(reversal	0	(212.111)	0	0	0	**(212.111)**
Disposals	(32.271)	(916.174)	(297.444)	(190.544)	0	**(1.436.433)**
31 December 2007	**14.659.176**	**45.359.104**	**3.126.850**	**2.014.773**	**0**	**65.159.903**
Comprising:						
At cost	953.046	25.522.228	2.569.802	1.732.092	0	**30.777.168**
At modified cost	13.706.130	19.836.876	557.048	282.681	0	**34.382.735**
31 December 2007	**14.659.176**	**45.359.104**	**3.126.850**	**2.014.773**	**0**	**65.159.903**
1 January 2008	14.659.176	45.359.104	3.126.850	2.014.773	0	**65.159.903**
1 January 2007	890.995	9.917.372	867.744	442.257	0	**12.118.368**
Depreciation	0	15.677	0	2.830	0	**18.507**
Impairment loss/(reversal	(20.193)	(2.117.701)	(647.888)	(221.686)	0	**(3.007.468)**
Disposals	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	1.245.466	33.850.809	2.111.965	1.969.518	0	**39.177.758**
At modified cost	14.284.512	20.240.889	311.317	274.834	0	**35.111.552**
31 December 2008	**15.529.978**	**54.091.698**	**2.423.282**	**2.244.352**	**0**	**74.289.310**
Carrying amount 31 December 2007	**19.121.974**	**29.452.238**	**2.315.976**	**738.100**	**29.598.569**	**81.226.857**
Carrying amount 31 December 2008	**23.393.064**	**61.909.701**	**1.991.180**	**1.103.385**	**5.580.244**	**93.977.574**

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 2008, the part of the Company's property, plant and equipment with a carrying value of 14.008.119 Litas (31 December 2007 - 10.777.422 Litas) is pledged as a security for repayment of the loans granted by banks (Note 14).

As at 31 December 2008, the Company's property, plant and equipment with a carrying value of 20.747.172 Litas (31 December 2007 - 10.549.853 Litas) were acquired under finance lease.

As at 31 December 2008, the impairment of the Company's property, plant and equipment amounted to 459.196 Litas (31 December 2007 - 440.690 Litas).

As at 31 December 2008, the acquisition cost of the fully depreciated property, plant and equipment (constructions, equipment and other assets) still in use of the Company was 14.168.908 Litas (31 December 2007- 13.220.270 Litas).

As at 31 December 2008, the Company's constructions in progress include unfinished projects.

	Carrying amount (In LTL)	**Estimated expenses to completion (In LTL)**	**Estimated date of completion**
Construction in progress	4.175.082	8.815.000	April - May, 2009

7. Intangible assets

As at 31 December, intangible assets of the Group consisted of the following:

Group	Land lease right	Licenses, patents	Software	Other assets and prepayments	TOTAL:
Cost					
1 January 2007	2.400.000	41.089	700.220	20.620	**3.161.929**
Additions	0	24.570	2.512	910	**27.992**
Disposals	0	(13.257)	(34.207)	0	**(47.464)**
Transfers	0	3.836	0	(3.836)	**0**
31 December 2007	**2.400.000**	**56.238**	**668.525**	**17.694**	**3.142.457**
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**
Accumulated amortization					
1 January 2007	88.889	29.802	407.102	16.129	**541.922**
Amortization	26.667	13.291	118.050	650	**158.658**
Disposals	0	(13.256)	(34.186)	0	**(47.442)**
31 December 2007	**115.556**	**29.837**	**490.966**	**16.779**	**653.138**
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**
Carrying amount					
31 December 2007	**2.284.444**	**26.401**	**177.559**	**915**	**2.489.319**
31 December 2008	**2.257.778**	**16.032**	**187.804**	**2**	**2.461.616**

Amortization expenses have been included in administrative expenses.

As at 31 December 2008, the acquisition cost of the fully depreciated intangible assets still in use of the Group was 137.755 Litas (31 December 2007 - 125.762 Litas).

As at 31 December 2008, the Group's land lease rights with a carrying value of 2.257.778 Litas (31 December 2007 - 2.284.444 Litas) are pledged as a security for repayment of the loan granted by banks (Note 14).

Company	**Licenses, patents**	**Software**	**Other assets**	**Prepayments**	**TOTAL:**
Cost					
1 January 2007	41.089	685.547	11.496	3.836	**741.968**
Additions	24.570	1.800	910	0	**27.280**
Disposals	(13.257)	(34.207)	0	0	**(47.464)**
Transfers	3.836	0	0	(3.836)	**0**
31 December 2007	**56.238**	**653.140**	**12.406**	**0**	**721.784**
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**
Accumulated amortization					
1 January 2007	29.802	393.208	10.843	0	**433.853**
Amortization	13.291	117.224	650	0	**131.165**
Disposals	(13.256)	(34.186)	0	0	**(47.442)**
31 December 2007	**29.837**	**476.246**	**11.493**	**0**	**517.576**
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**
Carrying amount					
31 December 2007	**26.401**	**176.894**	**913**	**0**	**204.208**
31 December 2008	**16.032**	**187.516**	**1**	**0**	**203.549**

Amortisation expenses have been included in administrative expenses.

As at 31 December 2008, the acquisition cost of fully depreciated intangible assets still in use by the Company amounted to 117.794 Litas (31 December 2007 - 106.222 Litas).

8. Investments in subsidiaries

As at 31 December, investments in subsidiaries consisted of the following:

	2008		2007	
	LTL	% of ownership	LTL	% of ownership
UAB "Baltwood"	5.005.000	100	5.005.000	100
UAB "Grigiškių transporto centras"	0	100	0	100
TOTAL:	**5.005.000**		**5.005.000**	

There was no movement in investment balance during the years ended 31 December 2007 and 2008. UAB Grigiškių Transporto Centras assets as well as equity and liability amount to 0 Litas. This company will be liquidated.

9. Trade and other receivables

As at 31 December, trade and other receivables consisted of the following:

	Group		Company	
	2008	2007	2008	2007
Trades receivable	17.009.290	19.044.210	19.457.219	20.749.726
Other receivable	1.884.173	1.748.237	1.703.382	1.424.365
	18.893.463	**20.792.447**	**21.160.601**	**22.174.091**
Less: allowance for doubtful amounts receivable	(122.825)	(955.391)	(102.277)	(923.393)
Total amounts receivable within one year:	**18.770.638**	**19.837.056**	**21.058.324**	**21.250.698**

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
1 January 2007	996.984	969.986
Increase of allowance	14.678	9.678
Reversal related to write-offs	(11.858)	(11.858)
Reversal related to regained debts	(44.413)	(44.413)
31 December 2007	**955.391**	**923.393**
1 January 2007	955.391	923.393
Increase of allowance	84.792	69.244
Reversal related to write-offs	0	0
Reversal related to regained debts	(917.358)	(890.360)
31 December 2008	**122.825**	**102.277**

10. Cash and cash equivalents

As at 31 December, cash and cash equivalents consisted of the following:

	Group		Company	
	2008	2007	2008	2007
Cash at bank	100.628	328.221	86.486	286.582
Cash on hand	29.398	71.759	26.986	35.279
TOTAL:	**130.026**	**399.980**	**113.472**	**321.861**

As at 31 December 2008, cash at AB SEB Bankas account and future cash inflows into this account were pledged to secure the credit facilities granted by the bank. As at 31 December 2008, the Group's cash balance in the pledged account amounted to 26.308 Litas (Company - 12.163 litas) (Note 14).

11. Inventories

As at 31 December, inventories consisted of the following:

	Group		Company	
	2008	2007	2008	2007
Materials	3.920.928	5.463.309	3.826.432	4.873.416
Work in progress	4.394.147	5.049.245	2.866.955	2.355.556
Finished goods	7.004.843	5.790.581	6.357.733	5.455.587
Goods in transit	22.053	74.818	22.053	74.818
	15.341.971	**16.377.953**	**13.073.173**	**12.759.377**
Less: write-down to net realizable value	(515.067)	(160.540)	(515.067)	(160.540)
TOTAL:	**14.826.904**	**16.217.413**	**12.558.106**	**12.598.837**

As at 31 December 2008, the cost of inventories has been reduced to the net realisable value by 515.067 Litas (as at 31 December 2007: 160.540 Litas). The write-down of inventories to the net realizable value is recognised in administrative expenses.

As at 31 December 2008, the Group's and the Company's inventory with carrying amounts of 9.000.000 Litas and 7.000.000 Litas respectively are pledged as a security for the loan granted by the bank (as at 3 1 December 2007 -8.833.634 Litas and 8.000.000 Litas) (Note 14).

12. Share capital and reserves

As at 31 December 2008 and 2007, the share capital issued consisted of 60.000.000 and 39 956 657 ordinary shares with the net value of 1 Litas each. As at 31 December 2008 and 2007, 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, shareholders of the Company were as follows:

	2008		2007	
	Number of shares	**Proportion of ownership, %**	**Number of shares**	**Proportion of ownership, %**
Lithuanian legal entities	35.147.796	58,58	21.812.994	54,59
Lithuanian individuals	18.438.861	30,73	13.998.538	35,04
Foreign legal entities	6.312.651	10,52	4.084.689	10,22
Foreign individuals	100.692	0,17	60.436	0,15
TOTAL:	**60.000.000**	**100**	**39.956.657**	**100**

Main shareholders:

	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
UAB "Ginvildos investicija"	28.775.979	47,96	19.128.653	47,87
Rosemount Holdings LLC	5.639.967	9,40	3.613.035	9,04
Mišeikis Dailius Juozapas	4.672.432	7,79	2.884.402	7,22
TOTAL:	**39.088.378**	**65,15**	**25.626.090**	**64,13**

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

The movement of grants for the Group and Company for the year ended 31 December 2008 and 2007 consisted of the following:

	Grant related to assets	Grant related to expenses	TOTAL:
1 January 2007	341.401	0	**341.401**
Received during the year	0	702.079	**702.079**
Used during the year	0	(702.079)	**(702.079)**
31 December 2007	**341.401**	**0**	341.401
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

14. Borrowings

	Group		Company	
	2008	2007	2008	2007
The borrowings are repayable as follows:				
Within one year	17.633.628	16.546.361	11.628.424	9.592.950
In the second year	4.683.524	4.414.495	4.683.524	4.414.495
In the third to fifth years inclusive	10.714.439	5.532.467	10.714.439	5.532.467
	33.031.591	**26.493.323**	**27.026.387**	**19.539.912**
Less: amount due for settlement within one year	17.633.628	16.546.361	11.628.424	9.592.950
Amount due for settlement after one year	**15.397.963**	**9.946.962**	**15.397.963**	**9.946.962**
Analysis of borrowings by currency:				
LTL	20.260.938	12.161.010	9.255.230	9.161.514
EUR	12.770.653	14.332.313	17.771.157	10.378.398
TOTAL:	**33.031.591**	**26.493.323**	**27.026.387**	**19.539.912**

* - according to the requirements of the loan agreement with AB SEB Bankas, UAB “Baltwood” (the subsidiary) is required to comply with certain covenants. The subsidiary is in default with certain covenants noted in the loan agreement with AB SEB Bankas for the years ended 31 December 2007 and 2008. Therefore, the loan from AB SEB Bankas amounting 3.005.707 Litas is accounted for as a current loan on demand. In case AB SEB Bankas will not claim the loan to be repaid fully before the maturity date set in the agreement, the future loan repayments after the year 2008 would be as follows:

	In LTL
2009	948.208
2010	948.208
2011	1.109.291
TOTAL:	**3.005.707**

Covenants calculated by reference to the audited financial statements of UAB “Baltwood” for the year ended 31 December 2008, are as follows:

	Required	Actual
EBITDA to financial liabilities	<3,8	32,3

According to the requirements of the loan agreement with AB SEB Bankas, the Company is required to comply with certain covenants, involving maintenance of predetermined financial ratios. The Company is in default with certain covenants noted in the loan agreement with AB SEB Bankas for the year ended 31 December 2008. However, the bank confirmed in its letter No. 05.06.04, dated 7 April 2009, that it is not expected to enforce sanctions for defaulting with covenants

Covenants calculated by reference to the audited financial statements of the Company for the year ended 31 December 2008, are as follows:

	Required	Actual
EBITDA to financial liabilities	<2,5	4,1
EBITDA	>15.000.000	12.312.244

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.

The Group, 31 December 2008

	Currency	Nominal interest rate base	Year of maturity	Carrying amount
Secured bank loan	LTL	VILIBOR	2009	6.805.037
Secured bank loan	LTL	VILIBOR	2011	2.966.120
Secured bank loan	EUR	LIBOR	2014	17.255.230
Financial lease liabilities	EUR	LIBOR	2008-2013	18.041.230
Financial lease liabilities	EUR	EURIBOR	2009-2013	1.527.159
Factoring	LTL	VILIBOR	2009	1.888.952
Factoring	LTL	VILIBOR	2009	1.512.090
Factoring	LTL	VILIBOR	2009	303.779
Secured bank loan	LTL	VILIBOR	2009	2.999.496
Secured bank loan	EUR	LIBOR	2011	3.005.708
Financial lease liabilities	EUR	LIBOR	2009-2011	678.161
Factoring	LTL	VILIBOR	2009	507.527
TOTAL:				**57.490.489**

The Company, 31 December 2008

	Currency	Nominal interest rate base	Year of maturity	Carrying amount
Secured bank loan	LTL	VILIBOR	2009	6.805.037
Secured bank loan	LTL	VILIBOR	2011	2.966.120
Secured bank loan	EUR	LIBOR	2014	17.255.230
Financial lease liabilities	EUR	LIBOR	2008-2013	18.041.230
Financial lease liabilities	EUR	EURIBOR	2009-2013	1.527.159
Factoring	LTL	VILIBOR	2009	1.888.952
Factoring	LTL	VILIBOR	2009	1.512.090
Factoring	LTL	VILIBOR	2009	303.779
TOTAL:				**50.299.597**

15. Finance lease liabilities

The Group

Group In LTL	Minimum lease payments 2008	Minimum lease payments 2007	Present value of minimum lease payments 2008	Present value of minimum lease payments 2007
Amounts payable under finance leases:				
Within one year	7.584.759	3.772.171	6.485.594	3.370.443
In the second to fifth years inclusive	11.924.432	5.555.126	10.672.500	5.189.383
TOTAL:	**19.509.191**	**9.327.297**	**17.158.094**	**8.559.826**
Less: future finance charges	(2.351.097)	(767.471)	0	0
Present value of lease liabilities	**17.158.094**	**8.559.826**	**17.158.094**	**8.559.826**
Value added tax	3.088.456	1.540.769	3.088.456	1.540.769
TOTAL:	**20.246.550**	**10.100.595**	**20.246.550**	**10.100.595**
Less: amounts payable after one year	(7.653.001)	(3.977.122)	(7.653.001)	(3.977.122)
Amounts payable after one year	**12.593.550**	**6.123.473**	**12.593.549**	**6.123.473**

The Company

Company In LTL	Minimum lease payments 2008	Minimum lease payments 2007	Present value of minimum lease payments 2008	Present value of minimum lease payments 2007
Amounts payable under finance leases:				
Within one year	7.254.810	3.426.008	6.204.469	3.063.436
In the second to fifth years inclusive	11.583.591	5.012.041	10.378.912	4.678.819
TOTAL:	**18.838.401**	**8.438.049**	**16.583.381**	**7.742.255**
Less: future finance charges	(2.255.020)	(695.794)	0	0
Present value of lease liabilities	**16.583.381**	**7.742.255**	**16.583.381**	**7.742.255**
Value added tax	2.985.008	1.393.606	2.985.008	1.393.606
TOTAL:	**19.568.389**	**9.135.861**	**19.568.389**	**9.135.861**
Less: amounts payable after one year	(7.321.274)	(3.614.854)	(7.321.274)	(3.614.854)
Amounts payable after one year	**12.247.115**	**5.521.007**	**12.247.115**	**5.521.007**

The fair value of the Group's and the Company's lease liabilities approximates 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

As at 3 1 December, trade and other payables consisted of the following:

In LTL	Group 2008	Group 2007	Company 2008	Company 2007
Trade payables	13.590.037	12.814.582	12.829.579	11.977.734
Taxes, salaries and social insurance	2.722.379	4.028.350	2.621.071	3.870.000
Advances received	239.309	292.373	131.201	277.390
Other payables	958.982	1.913.865	732.491	1.681.321
TOTAL:	**17.510.707**	**19.049.170**	**16.314.342**	**17.806.445**

17. Business and geographical segments

The Group

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:

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

2007	Paper	Hardboard	Wood processing	Unallocated	Total
Sales	57.918.344	64.944.167	15.874.404	5.274.741	144.011.656
Cost of sales	(45.119.438)	(53.764.153)	(14.419.643)	(3.705.682)	(117.008.916)
Gross profit	**12.798.906**	**11.180.014**	**1.454.761**	**1.569.059**	**27.002.740**
Depreciation and amortization	4.160.558	3.668.433	1.533.341	1.841.369	11.203.701
Segment property, plant and equipment	43.886.284	19.697.201	13.658.973	17.847.579	95.090.037
Segment capital expenditure	8.810.412	706.272	365.262	4.689.664	14.571.610

The Company

Business segments

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

In LTL	Paper		Hardboard	
	2008	**2007**	**2008**	**2007**
Sales	63.466.947	57.918.344	62.109.349	64.944.167
Cost of sales	(53.996.989)	(45.119.438)	(56.817.866)	(53.764.153)
Gross profit	**9.469.958**	**12.798.906**	**5.291.483**	**11.180.014**
Depreciation and amortization	6.133.872	4.160.558	3.387.045	3.668.433
Segment property, plant and equipment	51.553.137	43.886.284	19.852.257	19.697.201
Segment capital expenditure	14.193.597	8.810.412	2.451.249	706.272

	Unallocated		Total	
	2008	**2007**	**2008**	**2007**
Sales	9.888.819	11.192.108	135.465.115	134.054.619
Cost of sales	(9.429.057)	(9.812.717)	(120.243.912)	(108.696.308)
Gross profit	**459.762**	**1.379.391**	**15.221.203**	**25.358.311**
Depreciation and amortization	2.722.518	1.841.369	12.243.435	9.670.360
Segment property, plant and equipment	22.775.729	17.847.580	94.181.123	81.431.065
Segment capital expenditure	8.698.104	4.689.666	25.342.950	14.206.350

The Group

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:

In LTL	2008	2007
Domestic market	**87.636.046**	**98.685.868**
Export		
Poland	14.373.403	6.117.349
Sweden	10.191.963	9.408.862
Latvia	8.652.515	7.104.697
Estonia	7.621.430	5.281.510
Czech Republic	3.872.116	3.003.430
Netherlands	2.603.773	3.088.220
USA	2.340.836	2.065.041
Belarus	2.008.449	982.595
Other countries	1.382.422	2.646.298
Finland	1.170.394	0
Norway	1.169.807	1.295.369
Great Britain	1.058.032	943.842
Italy	553.851	19.888
France	541.369	749.367
Slovakia	120.080	0
Denmark	116.709	2.316.994
Germany	46.194	302.326
	57.823.343	**45.325.788**
TOTAL:	**145.459.389**	**144.011.656**

The Company

Geographical segments

The Company's reportable geographic segments for the year ended 31 December are as follows:

In LTL	2008	2007
Domestic market	**79.041.082**	**90.548.205**
Export		
Poland	14.359.773	6.338.993
Sweden	10.188.510	9.369.237
Latvia	8.582.569	6.875.742
Estonia	7.621.430	5.280.956
Czech Republic	3.270.714	2.968.184
Netherlands	2.583.799	3.090.220
Slovakia	2.340.836	0
USA	1.479.009	2.065.041
Hungary	1.170.394	186.486
Norway	1.168.446	1.295.370
Denmark	1.058.032	1.053.714
Belarus	533.932	982.594
France	524.738	503.855
Finland	116.709	1.857.662
Great Britain	0	932.394
Denmark	0	301.918
Other countries	1.425.142	404.048
	56.424.033	**43.506.414**
TOTAL:	**135.465.115**	**134.054.619**

18. Other operating income

For the year ended 31 December, other operating income consisted of the following:

In LTL	Group		Company	
	2008	**2007**	**2008**	**2007**
Gain from emission right sold	1.028.934	1.709	1.028.934	1.709
Rental income	681.166	642.782	838.165	861.070
Income from sale of scrap	360.109	134.568	348.460	143.025
Gain from disposal of property, plant and equipment	148.249	38.217	148.249	37.538
Other income	52.435	71.672	85.867	101.266
Write-off of accounts payables	322	6.782	322	6.782
Insurance compensation	0	27.353	0	26.632
TOTAL:	**2.271.215**	**923.083**	**2.449.997**	**1.178.022**

19. Other operating expenses

For the year ended 31 December, other operating expenses consisted of the following:

In LTL	Group		Company	
	2008	**2007**	**2008**	**2007**
Rental expenses	317.049	291.271	317.049	291.271
Insurance expenses	21.216	0	8.302	0
Other expenses	54.441	40.782	54.441	40.731
TOTAL:	**392.706**	**332.053**	**379.792**	**332.002**

20. Selling and distribution expenses

For the year ended 31 December, selling and distribution expenses consisted of the following:

In LTL	Group		Company	
	2008	2007	2008	2007
Transportation expenses	3.153.620	4.235.818	2.905.359	3.972.878
Salaries and related taxes	2.098.390	1.762.919	1.995.415	1.666.684
Repairs and maintenance	647.062	406.260	598.145	382.275
Intermediate, market research and marketing expenses	464.757	396.909	464.757	396.909
Advertisement expenses	430.326	1.177.409	428.886	1.173.843
Own transport expenses	320.557	474.466	320.557	471.785
Sales credit insurance expenses	81.373	0	81.373	0
Depreciation	72.497	79.178	65.789	72.470
New products development expenses	70.756	61.765	70.756	61.765
Business trip expenses	67.194	77.718	67.194	77.718
Representation expenses	54.456	91.684	54.456	91.684
Communication expenses	51.963	53.174	51.963	53.174
Harbour services expenses	11.692	17.799	11.692	17.799
Other selling expenses	191.629	144.939	182.706	135.288
TOTAL:	**7.731.123**	**8.980.038**	**7.315.339**	**8.574.272**

21. Administrative expenses

For the year ended 31 December, administrative expenses consisted of the following:

	Group		Company	
	2008	2007	2008	2007
Salaries and related expenses	4.423.555	4.222.947	3.887.385	3.712.150
Write-off of bad debts	1.208.598	57.916	1.208.598	81.591
Taxes	1.004.856	847.716	920.894	785.080
Repairs and maintenance	861.739	611.961	860.453	611.342
Expenses under social program	639.342	693.941	638.245	693.191
Transport expenses	598.590	536.486	517.791	450.555
Depreciation and amortization	580.287	282.492	242.378	244.196
Security expenses	568.024	470.500	568.024	470.500
Redundancy pay and related taxes	525.458	313.220	525.458	313.220
Allowance (reversal) for slow moving inventory	354.527	130.165	354.527	130.165
Advertisement and representation expenses	273.804	314.809	273.804	300.629
Consulting expenses	259.119	515.916	259.119	491.550
Insurance expenses	213.199	273.447	160.728	232.261
Employees training expenses	198.280	648.519	198.280	648.519
Bank fees expenses	189.762	208.316	159.633	176.234
Staff recruitment expenses	139.069	0	139.069	0
Professional services	130.745	116.670	107.745	116.670
Communications expenses	117.644	94.367	117.644	76.000
Business trip expenses	67.457	108.204	67.457	106.892
Restitution in case of disablement	42.483	34.256	42.483	34.256
Property, plant and equipment impairment losses (reversal)	18.507	(212.111)	18.507	(212.111)
Membership and admission fee expenses	12.514	13.582	12.514	13.582
Write-off or property, plant and equipment	6.226	105	6.226	105
Recoverable training expenses	(27.945)	(702.079)	(27.945)	(702.079)
Reversal of impairment allowance for doubtful accounts receivables and loans granted	(832.567)	(116.446)	(821.116)	(121.446)
Vacation reserve	(862.172)	230.527	(862.172)	230.527
Other administrative expenses	485.920	293.452	331.531	236.801
TOTAL:	**11.197.021**	**9.988.878**	**9.907.260**	**9.120.380**

22. Financial income and expenses

In LTL	Group 2008	Group 2007	Company 2008	Company 2007
Interest income	1.011	418	698	418
Other finance income	109	0	109	0
Total finance income	**1.120**	**418**	**807**	**418**
Interest on loans and leases	(3.208.924)	(2.039.648)	(2.719.336)	(1.537.073)
Net foreign exchange losses	(34.440)	(49.738)	(33.631)	(49.184)
other finance expenses	(63.553)	(12.499)	(59.902)	(8.276)
Total finance expenses	**(3.306.917)**	**(2.101.885)**	**(2.812.869)**	**(1.594.533)**
Finance income and expenses, net	**(3.305.797)**	**(2.101.467)**	**(2.812.062)**	**(1.594.115)**

23. Income Tax

A reconciliation of the effective rate of tax for the Group and the Company is as follows:

The Group

	2008 LTL	2008 %	2007 LTL	2007 %
Profit before income tax	**(4.509.273)**		**6.523.387**	
Tax at the statutory income taxes rate of 18 %	(676.391)	15,0	1.174.210	18,0
Tax effect of items that are not taxable in determining taxable profit	(42.678)	0,9	(1.012)	(0,0)
Tax effect of items that are not deductible in determining taxable profit	531.690	(11,8)	202.346	3,1
Tax effect of temporary differences between recognition of expenses in financial and tax reporting	(311.980)	6,9		
Prior year adjustments	(83.542)	1,9	(19.100)	(0,3)
Increase (decrease) in deferred tax asset valuation allowance	(14.324)	0,3	38.368	0,6
Income tax expense	**(597.224)**	**13,2**	**1.394.812**	**21,4**
The components of income tax expenses are as follows:				
Current income tax expense	0		1.485.631	
Adjustment in respect of prior year	(83.542)		(19.100)	
Deferred income tax benefit	(513.682)		(71.719)	
Income tax expense	**(597.224)**		**1.394.812**	

The Company

	2008		2007	
	LTL	%	LTL	%
Profit before income tax	**(2.743.253)**		**6.915.564**	
Tax at the statutory income taxes rate of 18 %	(411.488)	15,0	1.244.802	18,0
Tax effect of items that are not taxable in determining taxable profit	(9.553)	0,3	(9.990)	(0,1)
Tax effect of items that are not deductible in determining taxable profit	481.241	(17,5)	189.579	2,7
Tax effect of temporary differences between recognition of expenses in financial and tax reporting	(268.055)	9,8		
Prior year adjustments	(83.542)	3,0	(19.100)	(0,3)
Increase (decrease) in deferred tax asset valuation allowance	36.840	(1,3)	(5.679)	(0,1)
Income tax expense	**(254.556)**	**9,3**	**1.399.612**	**20,2**
The components of income tax expenses are as follows:				
Current income tax expense			1.485.631	
Adjustment in respect of prior year	(83.542)		(19.100)	
Deferred income tax benefit	(171.014)		(66.919)	
Income tax expense	**(254.556)**		**1.399.612**	

Income tax liability (asset)

In LTL	**Group**		**Company**	
	2008	**2007**	**2008**	**2007**
Overpaid income tax (liability) as at 1 January	**495.182**	**262.570**	**495.182**	**262.570**
Income tax for the period	83.542	(1.466.531)	83.542	(1.466.531)
Income tax paid	753.869	1.699.143	753.869	1.699.143
Overpaid income tax (liability) as at 31 December	**1.332.593**	**495.182**	**1.332.593**	**495.182**

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.

In LTL	**Group**		**Company**	
	2008	**2007**	**2008**	**2007**
Net profit for the current year, LTL	(3.912.047)	5.128.575	(2.488.697)	5.515.952
Average number of ordinary shares	60.000.000	39.956.657	60.000.000	39.956.657
Average number of ordinary shares adjusted for capitalization issue	60.000.000	60.000.000	60.000.000	60.000.000
Earnings per share	**(0,07)**	**0,09**	**(0,04)**	**0,09**

The Company had no dilutive shares outstanding during 2008 and 2007 or as at 31 December 2008 and 2007.

25. Commitments and Contingencies

Litigation and claims

As at 31 December 2008 and 2007, 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 7 April the Company confirmed its intentions to provide financial support to its subsidiary at least until a meeting of shareholders for the financial year 2009 is called up.

26. Related party transactions

The Group

During 2008, the Group entered into the following transactions and had the following outstanding balances as at 3 1 December 2008 with related parties:

	Sale of goods and services	Purchase of goods and services	Amounts owned by related parties	Amounts owned to related parties
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**

During 2007, the Group entered into the following transactions and had the following outstanding balances as at 31 December 2007 with related parties:

	Sale of goods and services	Purchase of goods and services	Amounts owned by related parties	Amounts owned to related parties
UAB Ginvildos investicija	500	465.750	31.098	0
UAB Didma	21.671	637.842	0	37.143
UAB Remada	5.825	0	579	0
TOTAL:	**27.996**	**1.103.592**	**31.677**	**37.143**

UAB Grigiškių Transporto Centras is not a consolidated subsidiary of the Group. UAB Grigiškių Transporto Centras net asset as at 31 December 2008 is 0 Litas. UAB Ginvildos Investicija is the main shareholder of AB Grigiškės. UAB Didma and UAB Remada are related to the Group management. All transactions with related parties were concluded on an arm's length basis.

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

In LTL	**2008**	**2007**
Management remuneration	1.003.404	1.433.457
Average number of managers	8	10

The Company

During 2008, the Company entered into the following transactions and had the following outstanding balances as at 31 December 2008 with related parties:

In LTL	**Sale of goods and services**	**Purchase of goods and services**	**Amounts owned by related parties**	**Amounts owned to related parties**
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**

During 2007, the Company entered into the following transactions and had the following outstanding balances as at 31 December 2007 with related parties:

In LTL	**Sale of goods and services**	**Purchase of goods and services**	**Amounts owned by related parties**	**Amounts owned to related parties**
UAB „Baltwood“	6.180.473	1.583.585	3.916.346	0
UAB „Ginvildos investicija“	500	465.750	31.098	0
UAB „Didma“	21.671	637.842	0	37.143
UAB „Remada“	5.825	0	579	0
UAB „Grigiškių transporto centras“	0	0	0	0
TOTAL:	**6.208.469**	**2.687.177**	**3.948.023**	**37.143**

UAB Grigiškių Transporto Centras and UAB Baltwood are subsidiaries of the Company. UAB Ginvildos Investicija is the main shareholder of AB Grigiškės. UAB Didma and UAB Remada are related to the Company management.

All transactions with related parties were concluded on an arm's length basis.

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

In LTL	**2008**	**2007**
Management remuneration	884.627	1.305.654
Average number of managers	7	9

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 number of emission rights used in 2007 was restated because independent assessment revealed that actual number of used rights was 46.038, instead of 45.941 reported in annual reports for the year ended 31 December 2007. The balance of 673 rights was revoked because the accounting period of 3 years has expired.

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 2008. The Company used 45.973 and sold 20.000 rights.

Emission rights	**Quantity**
31 December 2006	**5.949**
Emission rights allocated	49.762
Emission rights used	(46.038)
Sale of emission right	(9.000)
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)**

The shortage of emission rights as at 31 December 2008 was covered from the rights received in 2009 before reporting to the regional environment protection department. There was no liability recognized in the balance sheet arising from shortage of rights because it is not expected to incur expenses for the acquisition of required emission rights.

28. Subsequent events

On 13 February 2009 the Management Board decided to establish a new subsidiary company. The Company will be the sole owner of the subsidiary. share capital of the company is 10.000 Litas that is divided into 10.000 ordinary shares of 1 Lt par value each. The Subsidiary will engage in production and sale of corrugated paper and cardboard. The subsidiary will be established in April 2009.

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

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008