

AB „GRIGIŠKĒS“

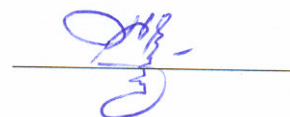
Interim consolidated report for the year 2007

AB „GRIGIŠKĖS“

Interim consolidated report for the year 2007

AB Grigiškės, represented by Director of Finance Department Nina Šilerienė and Economist Jurgita Jermolajevaitė hereby confirm that, to the best of their knowledge, these interim consolidated financial statements, as made in compliance with applicable accounting standards, are true, correctly reflect issuer's and aggregate consolidated companies' assets, liabilities, financial standing, profit or loss is true and correct.

AB „Grigiškės“ Directress of Finance Department **Nina Šilerienė**



AB „Grigiškės“ Economist **Jurgita Jermolajevaitė**

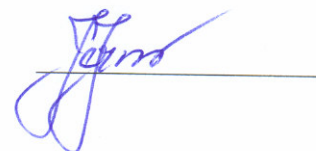


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I. GENERAL ATTITUDE

1. Reporting period for which this report has been prepared

Interim consolidated report is prepared for the year 2007

2. Issuer and its contact details

Name of the Issuer	Public Company „GRIGIŠKĖS“
Company's ID number	110012450
Authorised capital	LTL 39.956.657
Address	Vilniaus str. 10, Grigiškės, Vilnius
Phone	(8~5) 243 58 01
Fax	(8~5) 243 58 02
E-mail	info@grigiskes.lt
Internet	www.grigiskes.lt
Legal-organisation form	Public company, limited liability private legal person
Date and place of registration	2 April 1992, Ministry of Economy of the Republic of Lithuania

II. FINANCIAL STATEMENT

3. Balance sheet

LTL

	The Group		The Company	
	31/12/07	31/12/06	31/12/07	31/12/06
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	92.600.718	89.191.231	81.226.857	76.666.372
Intangible assets	2.489.319	2.620.007	204.208	308.115
Investments in associates	-	-	-	-
Investments in subsidiary	-	-	5.005.000	5.005.000
Loans granted	-	-	-	-
Other receivables	-	-	-	-
TOTAL NON CURRENT ASSETS	95.090.037	91.811.238	86.436.065	81.979.487
CURRENT ASSETS:				
Cash and cash equivalents	399.980	571.439	321.861	461.447
Loans granted	-	9.677		9.677
Trade and other receivables	19.842.056	16.917.534	21.250.698	17.894.727
Inventories	16.217.413	11.694.518	12.598.837	9.388.146
Other assets	496.944	489.565	417.766	374.741
TOTAL CURRENT ASSETS	36.956.393	29.682.733	34.589.162	28.128.738
TOTAL ASSETS	132.046.430	121.493.971	121.025.227	110.108.225
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES:				
Share capital	39.956.657	39.956.657	39.956.657	39.956.657
Legal reserve	3.995.665	3.995.665	3.995.665	3.995.665
Retained earnings	26.982.321	23.844.784	26.543.644	23.027.692
Unused emission rights' reappraisal reserve	-	-	-	-
TOTAL EQUITY	70.934.643	67.797.106	70.495.966	66.980.014
GRANTS	341.401	341.401	341.401	341.401
NON-CURRENT LIABILITIES:				
Bank loans	9.946.962	10.410.508	9.946.962	10.410.508
Obligations under finance leases	6.123.472	7.518.420	5.521.007	6.558.124
Deferred tax liability	878.283	945.202	530.816	597.735
Other payables	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	16.948.717	19.215.531	15.998.785	17.907.768
CURRENT LIABILITIES:				
Bank loans	16.546.361	12.192.272	9.592.950	5 404 963
Obligations under finance leases	3.977.123	4.116.967	3.614.854	3 732 432
Delay for unused emission rights	-	-	-	-
Factoring	4.257.775	39.170	3.174.826	-
Trade and other payables	19.040.410	18.132.925	17.806.445	16.083.048
TOTAL CURRENT LIABILITIES	43.821.669	34.481.334	34.189.075	25.220.443
TOTAL EQUITY AND LIABILITIES	132.046.430	121.493.971	121.025.227	110.108.225

4. Income (loss) statement

LTL

	The Group		The Company	
	31/12/07	31/12/06	31/12/07	31/12/06
Sales	144.058.753	119.989.277	134.054.619	110.119.282
Cost of sales	117.166.430	95.147.613	108.696.308	86.924.830
GROSS PROFIT	26.892.323	24.841.664	25.358.311	23.194.452
Other operating income	936.884	2.390.228	1.178.022	2.466.167
Selling and distribution expenses	8.980.038	8.921.416	8.574.272	7.949.337
Administrative expenses	9.868.075	9.540.667	9.120.380	8.348.320
Other operating expenses	345.854	188.225	332.002	188.225
PROFIT FROM OPERATIONS	8.635.240	8.581.584	8.509.679	9.174.737
Interest income	418	480	418	480
Finance costs	2.037.272	1.300.138	1.537.073	941.096
Net foreign exchange (loss) gain	-49.738	-102.732	-49.184	-98.843
Rate of exchange influence	-	-	-	-
Other finance income	-	722	-	22
Other finance expenses	12.499	14.450	8.276	3.128
PROFIT BEFORE INCOME TAX	6.536.149	7.165.466	6.915.564	8.132.172
Income tax expense	1.399.612	1.779.358	1.399.612	1.784.424
NET PROFIT	5.136.537	5.386.108	5.515.952	6.347.748
BASIC AND DILUTED EARNINGS PER SHARE	0,13	0,13	0,14	0,16

4.1.¹ Statement for changes in equity

LTL

The Group	Share capital	Legal reserve	Other reserves	Retained earnings	Total
AT 31 DECEMBER 2005 (RESTATED)	39.956.657	3.693.300	-	20.761.041	64.410.998
Transfer to legal reserve		302.365		-302.365	-
Dividends paid				-2.000.000	-2.000.000
Net profit				5.386.108	5.386.108
AT 31 DECEMBER 2006	39.956.657	3.995.665	-	23.844.784	67.797.106
Transfer to legal reserve					
Dividends paid				-2.000.000	-2.000.000
Net profit				5.136.537	5.136.537
AT 31 DECEMBER 2007	39.956.657	3.995.665	-	26.982.321	70.934.643

The Company	Share capital	Legal reserve	Other reserves	Retained earnings	Total
AT 31 DECEMBER 2005 (RESTATED)	39.956.657	3.693.300	-	18.982.309	62.632.266
Transfer to legal reserve		302.365		-302.365	-
Dividends paid				-2.000.000	-2.000.000
Net profit				6.347.748	6.347.748
AT 31 DECEMBER 2006	39.956.657	3.995.665	-	23.027.692	66.980.014
Transfer to legal reserve					
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

4.1.² Cash flow statement

LTL

	The Group		The Company	
	31/12/07	31/12/06	31/12/07	31/12/06
OPERATING ACTIVITIES				
Profit before income tax	6.537.149	7.165.466	6.915.564	8.132.172
Adjustments for:				
Depreciation and amortization	11.203.701	10.176.927	9.670.360	8.864.749
Release of negative goodwill to income	-	-	-	-
Share of loss of associates	-	-	-	-
Interest income	-418	-480	-418	-480
Finance costs	2.037.272	1.300.138	1.537.073	941.096
Net foreign exchange loss (gain)	49.738	102.732	49.184	98.843
Profit on disposal of fixed assets	-1.709	-1.307.748	-1.709	-1.307.748
Provisions (reversal) for slow moving inventory, write off to net realisable value and low value inventory	-38.217	-88.159	-37.538	-88.159
Fixed assets impairment losses (reversal)	130.165	184.515	130.165	-100.783
Investments in subsidiary impairment	-212.111	-267.807	-212.111	-267.807
Provision for doubtful accounts receivable (reversal), write off of bad accounts receivables	-136.124	-41.215	-131.124	-41.215
Total	19.569.446	17.224.369	17.919.446	16.230.668
Changes in operating assets and liabilities:				
(Increase) decrease in other assets	-7.379	-158.394	-43.025	-71.388
Decrease in trade and other payables	-130.049	64.534	-2.658.700	-1.170.061
(Increase) in inventories	-4.653.060	-702.845	-3.340.856	-539.535
Increase (decrease) in trade and other payables	3.379.833	156.691	5.251.869	256.930
Total	-1.410.655	-640.014	-790.712	-1.524.054
Interest paid	-2.029.072	-1.300.319	-1.536.020	-941.277
Income tax paid	-1.870.414	-1.856.361	-1.870.414	-1.856.361
NET CASH FROM OPERATING ACTIVITIES	14.259.305	13.427.675	13.720.591	11.908.976
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	-11.420.656	-19.477.927	-11.061.112	-17.686.656
Proceeds on disposal of property, plant and equipment and intangible assets	333.746	813.191	329.085	733.777
Proceeds on disposal of tangible assets	1.709	1.307.748	1.709	1.307.748
Interest received	418	480	418	480
Acquisition of subsidiary		-		-
Repayment of loans granted	9.677	9.468	9.677	9.468
Proceeds from long-term receivables		-		-
NET CASH (USED IN) INVESTING ACTIVITIES	-11.075.106	-17.347.040	-10.718.514	-15.635.183
FINANCING ACTIVITIES				
Dividends paid	-2.000.000	-2.000.000	-2.000.000	-2.000.000
Repayments of borrowings	-5.174.067	-2.273.617	-4.225.859	-1.450.176
Proceeds from borrowings	9.064.610	12.915.158	7.950.300	11.823.433
Repayment of long-term payables	-	-	-	-
Repayments of finance lease liabilities	-5.246.201	-4.818.294	-4.866.104	-4.326.857
NET CASH (USED IN) FINANCING ACTIVITIES	-3.355.658	3.823.247	-3.141.663	4.046.400
NET (DECREASE)/INCREASE IN CASH	-171.459	-96.118	-139.586	320.193
CASH AND CASH EQUIVALENTS BEGINNING OF THE PERIOD	571.439	667.557	461.447	141.254
CASH AND CASH EQUIVALENTS END OF THE PERIOD	399.980	571.439	321.861	461.447

5. Explanatory note

1. GENERAL INFORMATION

AB Grigiškės (the Company) was established in 1823. Former state owned company AB Grigiškės was privatized on 3 December 1991 and registered as a joint stock company on 2 April 1992. The Company's shares are traded on the Vilnius Stock Exchange.

As of 31 December 2007 the Group consisted of the Company and its wholly owned (100%) subsidiary UAB Baltwood. The Company's and its subsidiaries the addresses of their registered office and the principal activities are as follow:

Name	Country	Main address	Principal activity
AB „Grigiškės“	Lithuania	Vilniaus str. 10, 27101 Vilnius – Grigiškės	Fiberboard, corrugated cardboard and paper articles produce
UAB „Baltwood“	Lithuania	Vilniaus str. 10, 27101 Vilnius – Grigiškės	Wood processing
UAB „Grigiškių transporto centras“	Lithuania	Vilniaus str. 10, 27101 Vilnius – Grigiškės	Resale of used vehicles

The financial statements of UAB Grigiškių transporto centras were not consolidated due to the fact that this Company is insignificant to the parent company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year the Company and the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's and the Company's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- goodwill (IFRS 3);
- excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously known as negative goodwill) (IFRS 3).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (the “EU”). IFRSs as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) and currently effective for the purpose of these financial statements, except for certain hedge accounting requirements under IAS 39, which have not been adopted by the EU. The Company and the Group has determined that the unendorsed hedge accounting requirements under IAS 39 would not impact the Company's and the Group's financial statements had they been endorsed by the EU at the balance sheet date. Therefore, as a matter of reference, the term “IFRS” is hereafter used and referring to both IFRS and IFRS as adopted by the EU.

The financial statements have been prepared on the historical cost basis, as modified by the indexation of certain fixed assets. The principal accounting policies are set out below.

The accompanying financial statements are presented in the national currency of Lithuania the Litas (LTL).

Change in accounting policy

From 1 January 2006 the Company and the Group has changed its method of accounting for the emission rights as the new policy is considered to be more appropriate for the fair presentation of the Company's and the Group's financial position and operating performance. Under the new when the Group and the Company 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 Company is 'short' of allowances, the liability is recognised on the balance sheet being the best estimate of the expenditure (economic resources) required to settle the emission obligation. Until 1 January 2006 emission rights after initial recognition recorded as intangible assets re-measured at fair value by reference to an active market. Re-measurements related to not used emission rights are recognised directly in a separate component of equity. The revaluation results of obligations related to used emission rights (upon settlement or sale) are recognised in the income statement. The comparative 2005 financial information was restated as a result of this change in accounting policy.

Principles of consolidation

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

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

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

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

Business combinations

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

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

Investments in subsidiaries

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

Investments in associates

An associate is an entity over which the Company and the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates in the parent only financial statements are stated at cost less impairment losses recognized, where the investment's carrying amount exceeds its estimated recoverable amount.

The results and assets and liabilities of associates are incorporated in the Group's consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where the Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Property, plant and equipment

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 property, 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.

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:

Buildings and constructions	4 – 91 years
Machinery and equipment	2 – 50 years
Vehicles	3 – 20 years
Other equipment and other fixed assets	2 – 20 years

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

The Company capitalizes the assets according to the capitalization values set for certain groups of assets:

Buildings and constructions	1,000 LTL
Machinery and equipment	3,000 LTL
Vehicles	1,000 LTL
Other equipment and other fixed assets, except computer equipment	1,000 LTL
Computer equipment	300 LTL

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

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 Company and 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.

Intangible Assets

Intangible assets are stated at acquisition cost less subsequent accumulated amortisation and impairment losses. Amortisation is calculated on the straight-line method to write off the cost of each asset over the estimated useful life as follows:

Land lease rights	90 years
Licenses, patents and etc.	2 – 3 years
Software	1 – 5 years
Other intangible assets	2 – 4 years

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company and the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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 2008-2012 to coincide with the first Kyoto Commitment Period. The scheme works on a

'Cap and Trade' basis. EU Member States' governments are required to set an emission cap for each phase for all 'installations' covered by the Scheme. This cap is established in the National Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP describes the amount of yearly emissions (measured in tones of carbon dioxide equivalents) permitted per installation for each phase for which allowances will be allocated on an annual basis.

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

Member States must ensure that by 30 April of the following year at the latest, that the operator of each installation surrenders a number of allowances equal to the total emissions from that installation during the preceding calendar year. Thus, installations will surrender allowances for the first time by 30 April 2006 equal to their emissions during the 2005 calendar year.

When the Company 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 Company is 'short' of allowances, the liability is recognised on the balance sheet being the best estimate of the expenditure (economic resources) required to settle the emission obligation.

Inventories

Inventories are initially measured at cost and are subsequently measured at the lower of cost and net realizable value. The First-In, First-Out method is used as a basis for calculating the cost. The cost of work in progress and finished goods comprises of raw materials, direct labor cost, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets

Financial assets are recognised on the Company's and the Group's balance sheet when the Company and the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method less impairment loss recognized to reflect irrecoverable amounts.

Effective interest method

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

Interest income is recognized in profit or loss by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an

allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks, demand deposits and other short-term highly liquid investments with original maturities of three months or less those are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable, or a derivative or non-derivative contract that will or may be settled in the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method

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

Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where, in the opinion of the management, that the carrying amounts of financial assets and financial liabilities recorded at amortised cost differs materially from their carrying value, such fair values are separately disclosed in the notes to the financial statements.

Grants

Grants are accounted for on an accrual basis of accounting, i.e. grants are credited to income statement in the periods when related expenses, which they are intended to compensate, incur.

Grants related to assets

Grants related to assets include asset acquisition financing and non-monetary grants. 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 offset with depreciation expenses of the corresponding 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, and also all other grants than those related to assets. Grants are recognized when they are received or there is a reasonable assurance that they will be received.

Lease

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 Company and the Group as lessor

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

The Company and 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.

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 recognised when all the following conditions are satisfied:

- the Company and the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company and 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.

Sales of services

Sales of services are recognised 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.

Finance costs

All finance costs are recognized in profit or loss when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The income tax rate in Lithuania is 15%. On 1 January 2006 the Provisional Social Tax Law has come into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January 2006, companies has to pay an additional 4% tax and for the following year a 3% tax starting from 1 January 2007. The basis for social tax calculation is the same as for income tax.

Deferred income tax

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred income tax for the period

Current and deferred income tax is charged or credited to profit or loss, except when they relate to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Financial risk management

The principal financial risk management policies of the Group and the Company are set out below:

Credit risk

The credit risk of the Group and of the Company is rather limited because the main buyers are reliable customers. The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

The Group's and the Company's loans consist of loans with floating interest ratio, which is related with LIBOR (EURIBOR, VILIBOR). The Company did not use any financial instruments in order to control the risk of interest ratio changes.

Foreign currencies exchange risk

The Group and the Company have a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. At the moment the Company doesn't use any derivative financial instruments in order to control foreign currencies exchange risk.

Liquidity risk

In order to maintain a sufficient amount of cash and control over the liquidity risk, the Group and the Company makes monthly and annual cash flows forecasts.

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.

Subsequent events

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

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.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting 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 periods.

4. PROPERTY, PLANT AND EQUIPMENT

At 31 December property, plant and equipment consisted of the following:

The Group	Buildings and constructions	Machinery and Equipment	Vehicles	Other assets	Construction in progress and prepayments	Total
	LTL	LTL	LTL	LTL	LTL	LTL
Modified cost						
31 December 2006	35.698.324	82.281.732	6.134.857	2.790.953	22.149.422	149.055.288
Additions	39.446	960.737	935.718	311.398	12.296.320	14.543.619
Disposals	40.022	1.135.028	377.727	199.983	-	1.752.760
Transfers	39.269	4.802.189	-	-	-4.841.458	-
31 December 2007	35.737.017	86.909.630	6.692.848	2.902.368	29.604.284	161.846.147
31 December 2006	13.996.754	40.723.770	3.248.682	1.894.852	-	59.864.058
Depreciation	905.319	8.821.891	918.032	399.801	-	11.045.043
Impairment loss (reversal)	-	-212.111	-	-	-	-212.111
Disposals	32.271	916.174	312.572	190.544	-	1.451.561
Transfers	-	-	-	-	-	-
31 December 2007	14.869.802	48.417.376	3.854.142	2.104.109	-	69.245.429
Carrying amount						
31 December 2006	21.701.570	41.557.962	2.886.175	896.101	22.149.422	89.191.230
31 December 2007	20.867.215	38.492.254	2.838.706	798.259	29.604.284	92.600.718

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

As of 31 December 2007 the part of Group's property, plant and equipment with carrying amount of LTL 18.901.606 (31 December 2006: LTL 17,457,366) is pledged as security for loan granted by banks.

The Company	Buildings and constructions LTL	Machinery and Equipment LTL	Vehicles LTL	Other assets LTL	Construction in progress and prepayments LTL	Total LTL
Modified cost						
31 December 2006	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	-	1.727.934
Transfers	39.269	2.756.550	-	-	-2.795.819	-
31 December 2007	33.781.150	74.811.342	5.442.826	2.752.873	29.598.569	146.386.760
Accumulated depreciation and impairment						
31 December 2006	13.837.882	38.865.084	2.744.137	1.822.149	-	57.269.252
Depreciation	853.565	7.622.305	680.157	383.168	-	9.539.195
Impairment loss/(reversal)	-	-212.111	-	-	-	-212.111
Disposals	32.271	916.174	297.444	190.544	-	1.436.433
Transfers	-	-	-	-	-	-
31 December 2007	14.659.176	45.359.104	3.126.850	2.014.773	-	65.159.903
Carrying amount						
31 December 2006	19.935.588	33.427.403	2.173.776	856.909	20.272.696	76.666.372
31 December 2007	19.121.974	29.452.238	2.315.976	738.100	29.598.569	81.226.857

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

As of 31 December 2007 the part of Company's property, plant and equipment with carrying amount of LTL 10.777.422 (31 December 2006: LTL 8,438,290) is pledged as security for loan granted by bank.

5. INTANGIBLE ASSETS

At December 31 intangible assets consisted of the following:

The Group	Land lease rights LTL	Licenses, patents LTL	Software LTL	Other assets and prepayments LTL	Total LTL
Cost					
31 December 2006	2.400.000	41.089	700.220	20.620	3.161.929
Additions	-	24.570	2.512	910	27.992
Disposals	-	13.257	34.207	-	47.464
Transfers	-	3.836	-	-3.836	-
31 December 2007	2.400.000	56.238	668.526	17.694	3.142.457
Accumulated amortisation					
31 December 2006	88.889	29.802	407.102	16.129	541.922
Amortisation	26.667	13.291	118.050	650	158.658
Disposals	-	13.256	34.186	-	47.442
Transfers	-	-	-	-	-
31 December 2007	115.556	29.837	490.966	16.779	653.138
Carrying amount					
31 December 2006	2.311.111	11.287	293.118	4.491	2.620.007
31 December 2007	2.284.444	26.401	177.560	915	2.489.319

As of 31 December 2007 the Group's land lease rights with carrying amount of LTL 2.284.444, are pledged as security for loan granted by bank.

The Company	Licenses and patents LTL	Software LTL	Other assets LTL	Prepayments LTL	Total LTL
Cost					
31 December 2006	41.089	685.547	11.496	3.836	741.968
Additions	24.570	1.800	910	-	27.280
Disposals	13.257	34.207	-	-	47.464
Reappraisal	-	-	-	-	-
Transfers	3.836	-	-	-3.836	-
31 December 2007	56.238	653.140	12.406	-	721.784

continued

The Company	Licenses and patents LTL	Software LTL	Other assets LTL	Prepayments LTL	Total LTL
Accumulated amortisation					
31 December 2006	29.802	393.208	10.843	-	433.853
Amortisation	13.291	117.224	650	-	131.165
Disposals	13.256	34.186	-	-	47.442
Transfers	-	-	-	-	-
31 December 2007	29.837	476.246	11.493	-	517.576
Carrying amount					
31 December 2006	11.287	292.339	653	3.836	308.115
31 December 2007	26.401	176.894	913	-	204.208

Amortization expense has been included in administrative expenses.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following:

	The Group		The Company	
	31/12/07 LTL	2006 LTL	31/12/07 LTL	2006 LTL
Trade receivables	19.049.210	16.746.847	20.749.726	17.965.183
Other receivables	1.748.237	1.167.671	1.424.365	899.530
	20.797.447	17.914.518	22.174.091	18.864.713
Less: Allowance for doubtful amounts receivable	-	-	-	-
Total amounts receivable within one year	20.797.447	17.914.518	22.174.091	18.864.713
Less: Allowance for doubtful amounts receivable	-955.391	-996.984	-923.393	-969.986
Total amounts receivable within one year	19.842.056	16.917.534	21.250.698	17.894.727

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

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

	The Group		The Company	
	2007 LTL	2006 LTL	2007 LTL	2006 LTL
At 1 January	996.984	1.083.193	969.986	1.056.195
Increase of allowance	177.647	33.622	172.647	33.622
Reversal of allowance	-219.240	-119.831	-219.240	-119.831
At 31 December	955.391	996.984	923.393	969.986

7. LOANS GRANTED

Granted consisted of the following:

	The Group		The Company	
	31/12/07 LTL	2006 LTL	31/12/07 LTL	2006 LTL
Loan receivable from UAB Grigiškių transporto centras, denominated in LTL, maturity date – 31 December 2005, interest free	-	74.853	-	74.853
Loan receivable from employee denominated in LTL, maturity date – 31 December 2007, interest free	-	9.677	-	9.677
	-	84.530	-	84.530
Less: loans granted after one year	-	-	-	-
Less: Allowance for doubtful amounts receivable	-	-74.853	-	-74.853
Total loans granted within one year	-	9.677	-	9.677

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	The Group		The Company	
	31/12/07 LTL	2006 LTL	31/12/07 LTL	2006 LTL
Cash at bank	328.221	544.174	286.582	456.971
Cash on hand	71.759	27.265	35.279	4.476
Total	399.980	571.439	321.861	461.447

9. INVENTORIES

Inventories consisted of the following:

	The Group		The Company	
	31/12/07 LTL	2006 LTL	31/12/07 LTL	2006 LTL
Materials	5.463.309	4.414.596	4.720.300	4.204.918
Work in progress	5.049.245	3.809.001	2.355.556	2.042.924
Finished goods	5.790.581	3.374.661	5.448.163	3.044.044
Goods in transit	74.818	126.635	74.818	126.635
	16.377.953	11.724.893	12.598.837	9.418.521
Less: write-down to net realizable value	-160.540	-30.375	-	-30.375
Total	16.217.413	11.694.518	12.598.837	9.388.146

As of 31 December 2007 the Group's and Company's inventory with carrying amounts of LTL 5.833.634 and LTL 5.000.000 are pledged as security for loan granted by bank (as of 31 December 2006 – LTL 5.833.634 and LTL 5.000.000).

10. SHARE CAPITAL AND LEGAL RESERVE

As of 31 December 2007 share capital consisted of LTL 39.956.657 ordinary shares at a par value of LTL 1 each. As of 31 December 2007 all shares were fully paid.

As of 31 December 2007 shareholders of the Company were as follows:

	Number of shares	Proportion of ownership, %
Lithuanian legal entities	21.812.994	54,59
Lithuanian individuals	13.998.538	35,03
Foreign legal entities	4.084.689	10,22
Foreign individuals	60.436	0,15
Total	39.956.657	100,00

Main shareholders:

	Number of shares	Proportion of ownership, %
UAB „Ginvildos investicija“	19.128.653	47,87
Rosemount Holdings LLC	3.613.035	9,04
Mišeikis Dailius Juozapas	2.884.402	7,22
Total	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 per cent of the net profit are required until the legal reserve reach 10 per cent of the statutory capital. The appropriation is restricted to reduction of the accumulated deficit.

11. BORROWINGS

	The Group		The Company	
	31/12/07	2006	31/12/07	2006
	LTL	LTL	LTL	LTL
The borrowings are repayable as follows:				
Within one year	16.546.361	12.192.272	9.592.950	5.404.963
In the second year	4.414.495	3.285.804	4.414.495	3.285.804
In the third to fifth years inclusive	5.532.467	7.124.704	5.532.467	7.124.704
	26.493.323	22.602.780	19.539.912	15.815.471
Less: amount due for settlement within one year*	-16.546.361	-12.192.272	-9.592.950	-5.404.963
Amount due for settlement after one year*	9.946.962	10.410.508	9.946.962	10.410.508

12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	31/12/07	2006	31/12/07	2006
	LTL	LTL	LTL	LTL
Trade payables	12.814.583	13.899.646	11.977.734	12.030.834
Taxes, salaries and social insurance payable	4.024.271	3.321.351	3.870.000	3.190.238
Advances paid	292.373	178.275	277.390	158.931
Other payables	1.909.183	733.653	1.681.321	703.045
Total	19.040.410	18.132.925	17.806.445	16.083.048

13. OTHER OPERATING INCOME

For the year 2007 other operating income consisted of the following:

	The Group		The Company	
	31/12/07	2006	31/12/07	2006
	LTL	LTL	LTL	LTL
Gain from emission rights	1.709	1.307.748	1.709	1.307.748
Rent income	642.782	477.779	861.070	498.608
Gain from disposal of fixed assets	42.199	133.018	37.538	133.018
The reversal of inventory written off, scrap recognition	134.568	342.800	143.025	342.800
Insurance compensation	37.172	37.319	26.632	37.319
Write off of accounts payables	6.782	6.030	6.782	6.030
Other income	71.672	85.534	101.266	140.644
Total	936.884	2.390.228	1.178.022	2.466.167

14. OTHER OPERATING EXPENSES

For the year 2007 other operating expenses consisted of the following:

	The Group		The Company	
	31/12/07	30/09/06	31/12/07	30/09/06
	LTL	LTL	LTL	LTL
Rent expenses	291.271	26.798	291.271	26.798
Other expenses	54.583	161.427	40.731	161.427
Total	345.854	188.225	332.002	188.225

15. Off-balance sheet items

Emission rights movement for the year 2007

The Group/The Company	Emission rights	Received Government grant	Provision for used emission rights
	LTL	LTL	LTL
31 December 2006	3.704.441	434.437	3.270.004
Government grant received at fair value	1.125.368	1.125.368	-
Sold		-203.535	203.535
After respective National Institution confirmation, the covered previous year emission rights	-3.265.701	-	-3.265.701
Provision for used emission rights 2007	-	-1.338.856	1.338.856
31 December 2007	1.564.108	17.414	1.546.694

6. Audit Information

AB "Grigiškės" interim consolidated report for the year 2007 is not audit or check-up auditors.