AB GRIGIŠKĖS

Interim consolidated notification for the 1st semester 2007

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Interim consolidated notification for the 1st semester 2007

AB Grigiškės, represented by Director General Gintautas Pangonis and Director of Finance Department Nina Šilerienė, 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, and the presented review of business development and activities is true and correct.

AB Grigiškės, Director General **Gintautas Pangonis**

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AB Grigiškės, Director of Finance Department **Nina Šilerienė**

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I. GENERAL ATTITUDE

1. Accounting period covered by the notification

The notification covers the first semester of 2007.

2. Group companies and their contact particulars

AB Grigiškės has two subsidiaries: UAB Baltwood with core activities in wood processing and UAB Grigiškių Transporto Centras which has not been operating since 2006.

Issuer's name	Public Company **GRIGIŠKĖS**	Subsidiary: Private Limited Company **BALTWOOD**
Company's ID number	110012450	126199731
Authorised capital	39.956.657 Lt	LTL 9.950.000
Address	Vilniaus str. 10, Grigiškės, Vilnius	Vilniaus str. 10, Grigiškės, Vilnius
Phone	(8~5) 243 58 01	(8~5) 243 59 45
Fax	(8~5) 243 58 02	(8~5) 243 58 98
E-mail	info@grigiskes.lt	info@baltwood.lt
Internet	www.grigiskes.lt	www.baltwood.lt
Legal-organisation form	Public company, limited liability private legal person	Private limited company, limited liability legal person
Date and place of registration	2 April 1992, Ministry of Economy of the Republic of Lithuania	10 April 2003, State Enterprise The Centre of Registers

3. Nature of core activities of the group companies

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

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

4. Contracts with intermediaries of public trading in securities

The company has signed a contract with AB FMĮ Finasta (financial brokerage firm) (Konstitucijos av. 23, Vilnius, tel. (8~5) 278 6833, fax. (8~5) 278 6838) on the handling of securities issued by the Company and payment of dividend to the shareholders for 2004 – 2006 financial years.

5. Authorised capital of the Issuer

5.1. The authorised capital registered at the Register of Legal Persons

5.1.1. Table. Structure of the authorised capital

Type of shares	Number of shares	Par value, LTL	Total par value, LTL	Interest in the authorised capital, %
Ordinary registered shares	39.956.657	1	39.956.657	100,00

All shares of AB Grigiškės are fully paid up.

5.2. Information on the prospective increase of the authorised capital by converting issued debt securities or derivative securities into shares

AB Grigiškės has not issued any debt securities or derivative securities to be converted into shares.

5.3. Rights and obligations conferred by the shares

The shareholders shall have no other obligations to the company except for payment of the issue price for all the subscribed shares.

Where the general meeting of shareholders adopts resolution to cover Company's losses with additional contributions of the shareholders, such contributions must be paid by the shareholders who voted "for" the mentioned resolution. The shareholders who were absent at the general meeting of shareholders or voted "against" the mentioned resolution shall be entitled to withdraw from the payment of the additional contributions.

The shareholders must repay dividend to the Company if the dividend is paid down in breach of imperative provisions of the Company Law of the Republic of Lithuania and the Company proves that the shareholder was or should have been aware of this.

The shareholders shall have the following property and non-property rights:

1) a share of the profits of the Company (the dividend);
2) a share of the assets of the Company when its authorised capital is reduced in order to pay Company's funds to the shareholders;
3) a share of the assets of the Company in case of its liquidation;
4) free shares when the authorised capital of the Company is enlarged out of own funds of the company;
5) pre-emption in acquisition of the shares or convertible bonds issued by the Company with the exception of the event when the general meeting of shareholders decides not to confer pre-emption to all the shareholders in the procedure specified by the Company Law of the Republic of Lithuania;
6) to bequeath all or a part of the shares to a single person or several persons;
7) to transfer all or any of the shares to other persons in the procedure prescribed by the legal acts of the Republic of Lithuania;
8) to borrow funds to the Company in the statutory procedure, but when borrowing moneys from its shareholders, the Company shall not be entitled to mortgage its property to the mentioned shareholders;
9) other property rights set forth by the laws.
10) to attend the general meetings of shareholders and vote according to the rights granted by the shares held;
11) to be informed on the economic activities of the Company, as stipulated in the Company Law of the Republic of Lithuania;
12) to lodge complaints in a court of law against resolutions or actions of the general meeting of shareholders, the board and the head of administration, claim for compensation of damage to the Company caused due to non-fulfilment or improper fulfilment of the duties prescribed by laws and/or the Articles of Association of the Company by the head of the Company or the members of the board;
13) the shareholders or a group of the shareholders holding shares of the total par value of at least one tenth of the authorised capital of the Company are entitled to enter into a contract with an audit company at the shareholders' choice for auditing the activities and financial statements of the Company, ascertaining whether or not there are any indications of insolvency or fraudulent bankruptcy, whether or not the Company's assets are being squandered, loss-yielding contracts are concluded, the rights of the shareholders are infringed, including an unwarranted payment of wages or application of relief or concessions.
14) to give powers to other person to vote on his/her behalf at the meeting of shareholders or perform any other legal acts;
15) to exercise other non-property rights provided for by laws.

6. Shareholders

On 30 June 2007, there were 2,380 shareholders of AB Grigiškės.

6.1. Table. Shareholders owning in excess of 5 per cent of the authorised capital of the issuer as of 30 June 2007

Shareholder's name (company's name, type, headquarters address, corporate ID number)	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %	Votes held by the shareholder together with other persons, %
UAB GINVILDOS INVESTICIJA Turniškių str. 10a-2, Vilnius	18.895.104	47,87	47,87	----
ROSEMOUNT HOLDING LLC 8130 S.W.Beaverton-Hillsdale, Portland OR97225	3.597.457	9,00	9,00	----
DAILIUS JUOZAPAS MIŠEIKIS	2.201.367	5,51	5,51	----

There are no shareholders holding special controlling rights.

There are no restrictions of the voting rights.

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

7. Information on trading with Issuer's securities on the regulated markets

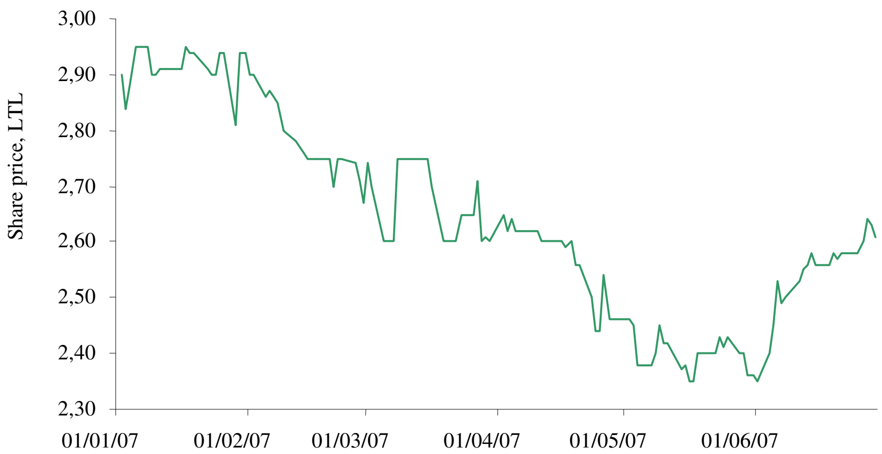
Registered ordinary shares of AB Grigiškės are listed on the current lists of AB Vilniaus Vertybinių Popierių Birža (Vilnius Stock Exchange, further – "the VVPB).

7.1.Table. Key characteristics of the shares of the company

Type of shares	Securities ISIN code	Number of shares	Par value, LTL	Total par value, LTL
Registered ordinary shares	LT0000102030	39.956.657	1	39.956.657

7.2.Table. Trading with the shares of the company

Reported period	Price, LTL			Turnover, LTL			Last session date	Total turnover	
	Max.	Min.	Last session	Max.	Min.	Last session		Pcs.	LTL
2007, Q1	2,97	2,51	2,60	328.382,60	0	1.300,00	30/03/07	631.838	1.749.931,40
2007, Q2	2,65	2,35	2,61	120.765,00	0	14.425,00	29/06/07	341.104	852.088,82



7.2.1. Fig. Share price dynamics in January – June 2007.

7.3. Table. Capitalisation of the company's shares

Last session date	Capitalisation, LTL
30 March 2007	103.887.308,20
29 June 2007	104.286.874,77

8. Employees

Over the first six months, there were minor changes in the number of employees in Public Company Grigiškės.

Employment contracts do not provide for any extraordinary rights or obligations of the employees.

8.1. Table. Average number of listed employees

	30 June 2007	2006
Number of employees	739	759

8.2. Table. Grouping of employees by education. Average wage/salary per month on 30 June 2007 (LTL)

Employees	Average wage on 30/06/07, LTL	Grouping of employees by education				
		University	College	Secondary	Basic	Elementary
Blue-collar workers	1.961	23	101	401	73	2
Officers	5.729	38	12	2	-	-
Experts	2.677	63	19	5	-	-
Total	**2.022**	124	132	408	73	2

8.3. Table. Grouping of employees by education. Average wage per month in 2006 (LTL)

Employees	Average wage in 2006, LTL	Grouping of employees by education				
		University	College	Secondary	Basic	Elementary
Blue-collar workers	1.589	18	100	421	70	2
Officers	3.788	42	16	-	-	-
Experts	2.314	65	18	7	-	-
Total	**1.875**	**125**	**134**	**428**	**70**	**2**

9. Amendments to the articles of association of the Issuer

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

10. Information on the managing bodies of the Issuer

The Company has the general meeting of shareholders, the sole-person managing body – the head of the Company (director general),the collegial managing body – council of observers (supervisory board) and the collegial managing body – the board.

The council of observers shall be comprised of 5 members. The members to the council of observers shall be elected by the general meeting of shareholders for a period of 4 years. The council of observers shall elect and revoke the members of the board. The board of the Company consists of 5 members.
The board of the Company shall elect and revoke the head of the Company, fix his salary, approve his job description, award bonuses to and impose penalties on the head of the Company.

10.1. Members to the managing bodies

10.1.1. Positions, names, personal ID numbers, information on the interests in the authorised capital of the Issuer

10.1.1.1. Table. Members to the council of observers, board and administration, and their interest in the authorised capital of the Company

Full names	Positions	Capital interest and votes, %
	COUNCIL OF OBSERVERS	
Norimantas Stankevičius	Chairman	-
Algimantas Goberis	Member	-
Valdas Urbonas	Member	-
Romualdas Juškevičius	Member	-
Tautvilas Adamonis	Member	-
	BOARD	
Gintautas Pangonis	Chairman	0,22
Nina Šilerienė	Member	0,02
Audris Vilčinskas	Member	-
Normantas Paliokas	Member	-
Vigmantas Kažukauskas	Member	0,89
	ADMINISTRATION	
Gintautas Pangonis	Director General	0,22
Nina Šilerienė	Directress of Finance Department	0,02

10.2. Information of the chairman of the board, head of administration and directress of Finance Department

Gintautas Pangonis – chairman of the board, director general. Education – university degree. Profession – multichannel telecommunication engineer. Employers in the last 10 years:

Employers	Positions
Ministry of Communications and Information	Secretary
AB Lietuvos Telekomas (current name TEO LT, AB)	Director general, chairman of the board
AB Lietuvos Telekomas (current name TEO LT, AB)	Executive vice president
UAB Bitė GSM	Director general, chairman of the board
AB Grigiškės	Director general, chairman of the board

Nina Šilerienė – Directress of Finance Department. Education – university degree. Profession – economist for accounting, control and analysis of economic activities. Employers in the last 10 years:

Employers	Positions
AB Lietuvos Telekomas (current name TEO LT, AB)	Chief Finance Manager
AB Grigiškės	Directress of Finance Department, member of the board

10.3. Information on the participation in the activities of other enterprises, agencies and organisations (name of the enterprise, agency or organisation and position thereat, capital interest and votes in excess of 5 per cent)

10.3.1. Table. Participation of the members of the council of observers, board and administration in the activities of other enterprises, agencies and organisations

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Position	Name of enterprise, agency and organisation	Capital share and votes, %
Norimantas Stankevičius	UAB „Didma“	Direktorius	UAB „Didma“	71,65
	N.Stankevičiaus komercinė firma „Naras“	Įmonės savininkas		
	UAB “Grigiškių transporto centras”	Valdybos narys		
	UAB „Baltwood“ AB „Grigiškės“	Member of the board Chairman of the council of observers		
			UAB „Ginvildos investicija“	21,0
			UAB „Marijampolės kabelinė televizija“	47,0
Tautvilas Adamonis	UAB „Remada“ AB „Grigiškės“	Director Member of the council of observers	UAB „Remada“	100,0

10.3.1. Table continuation

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	**Position**	**Name of enterprise, agency and organisation**	**Capital share and votes, %**
Gintautas Pangonis	AB „Grigiškės“	Director General	UAB „Ginvildos investicija“	79,0
	AB „Grigiškės“	Chairman of the board	UAB „Marijampolės kabelinė televizija“	25,0
	UAB „Grigiškių transporto centras“	Chairman of the board		
	UAB „Baltwood“	Chairman of the board		
Normantas Paliokas	UAB „Didma“	Head of Vilnius Representative Office		
	UAB „Ginvildos investicija“	Director		
	UAB „Baltwood“ AB „Grigiškės“	Member of the board Member of the board		
Vigmantas Kažukauskas	UAB „Grigiškių transporto centras“ AB „Grigiškės“	Member of the board Member of the board		
Audris Vilčinskas	AB „Grigiškės“	Member of the board	UAB „Marijampolės kabelinė televizija“	20,0
Nina Šilerienė	AB „Grigiškės“	Member of the board		
	UAB „Baltwood“ AB „Grigiškės“	Member of the board Directress of Finance Department	AB „Grigiškės“	

10.4. Data on the still valid criminal records of the members of the managing bodies for crimes on property, order of business and finances

The members of the managing bodies of the Company have no valid criminal records for crimes on property, order of business and finances.

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

The council of observers (supervisory board) of AB Grigiškės was elected on 29 December 2003 for a 4 years' period (ending in 2007). The board of the Company was elected on 29 December 2003 for a 4 years' period (ending in 2007).

10.6. Information about payments and loans to the members of the managing bodies

10.6.1. Table. Information on the salaries, tantiemmes and other payments from profit paid by the Issuer within the reported period (average amounts per person)

10.6.1.1. Table. Information on the salaries, tantiemmes and other payments from profit paid by the Issuer within the reported period (average amounts per person)

	Salaries, LTL	Tantiemmes, LTL	Other payments, LTL
Totally for all members of the council of observers	-	-	-
In average per one member of the council of observers	-	-	-
Totally for all members of the board	-	-	-
In average per one member of the board	-	-	-
Totally for all members of the administration	211.039	-	-
In average per one member of the administration	105.519	-	-

10.6.2. The sums paid to the members of the council of observers, board and administration of the Issuer, as salaries, tantiemmes and other payments from profit in the reported period, received form companies where the share of the Issuer in the authorised capital exceeds 20 per cent

None.

10.7. Loans, guarantees and warranties granted to the members of the council of observers, board and administration to secure fulfilment of their obligations

None.

11. Review of the activities of group companies

11.1 The newest events in the activities of the Issuer

On 6 April 2007, the sitting of the board of AB Grigiškės resolved to submit a proposal for the general meeting of shareholders to be held on 20 April 2007 to pay down LTL 2 million dividend. The net audited profit of the Company in 2006 amounted to LTL 6,3 million. The net audited profit of the group of companies (AB Grigiškės and UAB Baltwood) in 2006 amounted to LTL 5,4 million (EUR 1,56 million). The board approved the audited Activity Report, heard the auditor's report on the financial statements of 2006, assessed them positively and resolved to submit the drafts of annual financial statements and profit distribution report for the approval at the general meeting of shareholders.

The board approved the investment plan of the Company for the year 2007 for the amount of LTL 12 million.

The general meeting of shareholders of Grigiškės took place on 20 April 2007. The meeting heard the annual report of the Company, auditor's report, approved financial statements for 2006, distribution of profit (loss) of the Company in 2006, granted powers and authorised mortgage of fixed assets of the Company which book value exceed 1/20 of the authorised capital of the Company and land lease rights. UAB KPMG Baltics was elected to be the audit company for 2007-2008 financial year, and the terms and conditions of payment for audit services were defined. The meeting of shareholders resolved to pay the dividend in the amount of LTL 2 million for the year 2006 (LTL 0,05 per share).

11.2. Material events in the Issuer's activities

Within the first quarter, sales of AB Grigiškės group exceeded LTL 34 million or were by 13,8 per cent more compared to the same period last year, when the turnover amounted to LTL 30 million. The Group earned LTL 1,6 million profit over the first quarter.

On June 2007, the turnover of the group of companies comprised of AB Grigiškės and UAB Baltwood amounted to LTL 11,4 million, profit – to LTL 274 thousand. Within six months of this year, the turnover of the group of companies exceeded LTL 67 million. Compared to the same period last year, sales have increased nearly by 14 per cent. Six months' profit of the group of companies amounted to LTL 2,56 million in 2007.

11.3. The strategy of activities and its envisioned changes in the nearest financial year

In 2007, AB Grigiškės group of companies plans to increase its turnover by 32,5 per cent and sell products and services for LTL 159 million. The group expects to earn LTL 6,9 million net profit and have LTL 20,8 million net cash flows.

In 2006-2007, AB Grigiškės receives support from EU funds for Project 'Improvement of competence of industrial workers'. The Company uses project opportunities for raising employees' qualifications, receiving the most up-to-date and relevant news in the fields of business management, production organisation and production process assurance.

The Company also plans to acquire a consumables converter line of high efficiency in order to have balanced capacities in papermaking and paper processing, and to manufacture high-quality end products.

In May, AB Grigiškės launched a new product to the Baltic market – coloured toilet paper GRITE VIVO. Now the customers may choose from three colours of toilet paper – white, peachy and pink.

In order to satisfy the increasing demand for corrugated board on the Lithuanian market, the Company is updating equipment for these products. Modernisation was started last year and on May 2007 installation of a new automated line for production of packing was completed. This equipment significantly increased the quantities and quality of the products.

AB Grigiškės pays special attention to eco-friendly production and manufactures wooden fiber boards which have NFB (Natural Fiber Board) mark from 2007. This mark is used for products of the member companies of European Federation. of Fibre Board Manufacturers NFB FEROPA. AB Grigiškės is a member of this federation. This new trade mark was established by the NFB international federation in order to attract attention that fiber boards with these marks are manufactured in compliance with all European health and environmental standards and norms.

11.4. Financial and non-financial indicators of the Company

Indicators		**Group**		**Company**	
		30/06/07	**2006**	**30/06/07**	**2006**
Gross profit margin (%)	Gross profit / sales	17,8	20,7	18,6	21,1
Net profit margin (%)	Net profit / sales	3,0	4,5	4,2	5,8
Return on assets (%)	Net profit / assets	1,6	4,4	2,3	5,8
Return on equity (%)	Net profit / equity	3,0	7,9	3,9	9,5
Debts factor	Liabilities / debt	0,5	0,4	0,4	0,4
Debt / equity factor	Liabilities / equity	0,8	0,8	0,7	0,6
Current liquidity ratio	Current assets / short-term liabilities	0,9	0,9	1,2	1,1
Assets turnover	Sales / assets	0,5	1	0,6	1
Book value per share, LTL	Equity / number of shares	1,7	1,7	1,7	1,7
Net profit per share, LTL	Net profit / number of shares	0,05	0,13	0,07	0,16

More information about six months' activity and financial results of the Company in 2007 as well as main types of risks faced by the Company is presented in the interim consolidated financial statements report of AB Grigiškės for six month in 2007.

12. Transactions with interested persons

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

UAB Grigiškių Transporto Centras – subsidiary of the group not subject to consolidation.

UAB Ginvildos Investicija – major shareholders of AB Grigiškės.

UAB Didma and UAB Remada – companies related to the managing officers of the group.

12.1. Table. Group's transactions with related persons in 2007. Balances of amounts receivable/payable in relation thereto on 30 June 2007 (LTL)

	Sales of goods and services	**Acquisition of goods and services**	**Receivable from related persons**	**Amounts payable to related persons**
UAB Baltwood	1.877.630	407.570	3.015.406	-
UAB Ginvildos Investicija	-	298.000	-	61.601
UAB Didma	12.735	223.105	-	95.898
UAB Remada	3.072	-	965	-
UAB Grigiškių Transporto Centras	-	-	-	-
	1.893.437	**928.675**	**3.016.371**	**157.499**

17. Court and arbitration proceedings

Over the first semester of 2007 there were no court or arbitration proceedings which influenced or are likely to influence the financial standing of AB Grigiškės.

AB „GRIGIŠKĖS"

Interim consolidated report for the six months of 2007

AB „GRIGIŠKĖS“

Interim consolidated report for the six months of 2007

AB Grigiškės, represented by Director General Gintautas Pangonis and Director of Finance Department Nina Šilerienė, 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“ Director General **Gintautas Pangonis**

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

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TABLE OF CONTENTS

I. GENERAL ATTITUDE

1. Reporting period for which this report has been prepared

Interim consolidated report is prepared for the six months of 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

3. Information about where and how it is possible to get acquainted with the report and other documents used as a basis for drawing up the report, and the names of the mass media

Report and other documents used for the drawing up of the report are available at the company's registered office at Vilniaus str. 10, Grigiškės, Vilnius, administration building, room 402, from 7.30 a.m. to 4.30 p.m., and at AB FMĮ Finasta at Konstitucijos ave. 23, Vilnius.

The means of mass media of AB Grigiškės: the Lietuvos Rytas daily, News Agency BNS.

II. INFORMATION ON AUTHORISED CAPITAL, SECURITIES AND MANAGING BODIES

4. Authorised capital of the Issuer

4.1. The authorised capital registered at the Register of Legal Persons

4.1.1. Table. Structure of the authorised capital

Type of shares	Number of shares	Par value, LTL	Total par value, LTL	Interest in the authorised capital, %
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All shares of AB Grigiškės are fully paid up.

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AB Grigiškės has not issued any debt securities or derivative securities to be converted into shares.

5. Shareholders

On 30 June 2007, there were 2.380 shareholders of AB Grigiškės.

5.1. Table. Shareholders owning in excess of 5 per cent of the authorised capital of the issuer as of 30 June 2007

Shareholder's name (company's name, type, headquarters address, corporate ID number)	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %	Votes held by the shareholder together with other persons, %
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There are no shareholders holding special controlling rights.

There are no restrictions of the voting rights.

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

6. Securities not representing authorised capital, the trading of which is regulated by the Law on Securities Market

There are no issues of securities not representing the authorised capital, the trading of which is regulated by the Law on Securities Market.

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	Max.	Min.	Last session	Max.	maž.	Max.	Min.	Last session	Max.
2007, Q1	2,97	2,51	2,60	328.382,60	0	1.300,00	30/03/07	631.838	1.749.931,40
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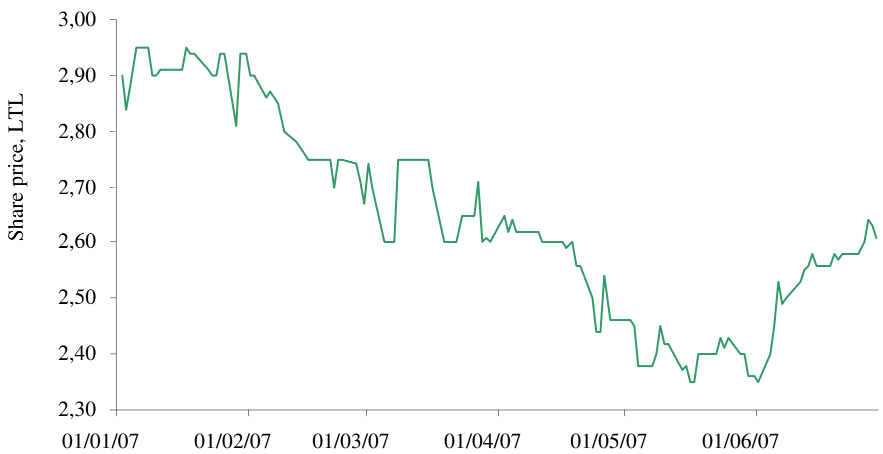

7.2.1. Fig. Share price dynamics in January – June 2007.

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9. Members to the managing bodies

The Company has the general meeting of shareholders, the sole-person managing body – the head of the Company (director general),the collegial managing body – council of observers (supervisory board) and the collegial managing body – the board.

The council of observers shall be comprised of 5 members. The members to the council of observers shall be elected by the general meeting of shareholders for a period of 4 years. The council of observers shall elect and revoke the members of the board. The board of the Company consists of 5 members.
The board of the Company shall elect and revoke the head of the Company, fix his salary, approve his job description, award bonuses to and impose penalties on the head of the Company.

9.1. Positions, names, personal ID numbers, information on the interests in the authorised capital of the Issuer

9.1.1. Table. Members to the council of observers, board and administration, and their interest in the authorised capital of the Company

Full names	**Positions**	**Capital interest and votes, %**
COUNCIL OF OBSERVERS		
Norimantas Stankevičius	Chairman	-
Algimantas Goberis	Member	-
Valdas Urbonas	Member	-
Romualdas Juškevičius	Member	-
Tautvilas Adamonis	Member	-
BOARD		
Gintautas Pangonis	Chairman	0,22
Nina Šilerienė	Member	0,02
Audris Vilčinskas	Member	-
Normantas Paliokas	Member	-
Vigmantas Kažukauskas	Member	1,01
ADMINISTRATION		
Gintautas Pangonis	Director General	0,22
Nina Šilerienė	Directress of Finance Department	0,02

9.2. Information on the participation in the activities of other enterprises, agencies and organisations (name of the enterprise, agency or organisation and position thereat, capital interest and votes in excess of 5 per cent)

9.2.1. Table. Participation of the members of the council of observers, board and administration in the activities of other enterprises, agencies and organisations

Name	**Business participation**		**Capital interest**	
	Name of enterprise, agency and organisation	**Position**	**Name of enterprise, agency and organisation**	**Capital share and votes, %**
Norimantas Stankevičius	UAB „Didma“	Direktorius	UAB „Didma“	71,65
	N.Stankevičiaus komercinė firma „Naras“	Įmonės savininkas		
	UAB “Grigiškių transporto centras”	Valdybos narys		
	UAB „Baltwood“ AB „Grigiškės“	Member of the board Chairman of the council of observers		
			UAB „Ginvildos investicija“	21,0
			UAB „Marijampolės kabelinė televizija“	47,0

9.2.1. table continuation

Name	**Business participation**		**Capital interest**	
	Name of enterprise, agency and organisation	**Position**	**Name of enterprise, agency and organisation**	**Capital share and votes, %**
Tautvilas Adamonis	UAB „Remada“ AB „Grigiškės“	Director Member of the council of observers	UAB „Remada“	100,0
Gintautas Pangonis	AB „Grigiškės“	Director General	UAB „Ginvildos investicija“	79,0
	AB „Grigiškės“	Chairman of the board	UAB „Marijampolės kabelinė televizija“	25,0
	UAB „Grigiškių transporto centras“	Chairman of the board		
	UAB „Baltwood“	Chairman of the board		
Normantas Paliokas	UAB „Didma“	Head of Vilnius Representative Office		
	UAB „Ginvildos investicija“	Director		
	UAB „Baltwood“ AB „Grigiškės“	Member of the board Member of the board		
Vigmantas Kažukauskas	UAB „Grigiškių transporto centras“ AB „Grigiškės“	Member of the board Member of the board		
Audris Vilčinskas	AB „Grigiškės“	Member of the board	UAB „Marijampolės kabelinė televizija“	20,0
Nina Šilerienė	AB „Grigiškės“	Member of the board		
	UAB „Baltwood“ AB „Grigiškės“	Member of the board Directress of Finance Department	AB „Grigiškės“	

Other members of the managing bodies do not participate in the activities of other enterprises, agencies and organisations.

III. FINANCIAL STATEMENT

10. Balance sheet

LTL

	The Group		The Company		
	30/06/07	31/12/06	30/06/07	31/12/06	30/06/06
ASSETS					
NON-CURRENT ASSETS:					
Property, plant and equipment	89.091.532	89.191.231	77.037.248	76.666.372	72.024.711
Intangible assets	2.543.034	2.620.007	244.401	308.115	4.141.516
Investments in associates	-	-	-	-	-
Investments in subsidiary	-	-	5.005.000	5.005.000	5.005.000
Loans granted	-	-	-	-	9.677
Other receivables	-	-	-	-	-
TOTAL NON CURRENT ASSETS	91.634.566	91.811.238	82.286.649	81.979.487	81.180.904
CURRENT ASSETS:					
Cash and cash equivalents	469.202	571.439	367.991	461.447	343.417
Loans granted	4.839	9.677	4.839	9.677	79.691
Trade and other receivables	18.094.072	16.917.534	19.311.304	17.894.727	15.436.461
Inventories	14.374.563	11.694.518	11.639.672	9.388.146	11.015.693
Other assets	628.222	489.565	551.403	374.741	751.776
TOTAL CURRENT ASSETS	33.570.898	29.682.733	31.875.209	28.128.738	27.627.038
TOTAL ASSETS	**125.205.464**	**121.493.971**	**114.161.858**	**110.108.225**	**108.807.942**
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES:					
Share capital	39.956.657	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	3.995.665
Retained earnings	23.866.501	23.844.784	23.656.889	23.027.692	19.769.866
Unused emission rights' reappraisal reserve	-	-	-	-	-
TOTAL EQUITY	67.818.823	67.797.106	67.609.211	66.980.014	63.722.188
GRANTS	341.401	341.401	341.401	341.401	1.878.759
NON-CURRENT LIABILITIES:					
Bank loans	11.298.680	10.410.508	11.298.680	10.410.508	8.338.512
Obligations under finance leases	7.796.069	7.518.420	6.835.773	6.558.124	7.464.328
Deferred tax liability	913.010	945.202	565.543	597.735	634.469
Other payables	-	-	-	-	3.676
TOTAL NON-CURRENT LIABILITIES	20.007.759	19. 215.531	18.699.996	17.907.768	16.440.985
CURRENT LIABILITIES:					
Bank loans	13.493.531	12.192.272	6.153.774	5 404 963	5.796.961
Obligations under finance leases	1.866.785	4.116.967	1.685.145	3 732 432	3.267.627
Delay for unused emission rights	-	-	-	-	1.932.870
Factoring	3.623.720	39.170	2.853.696	-	-
Trade and other payables	18.053.445	18.132.925	16.818.635	16.083.048	15.768.552
TOTAL CURRENT LIABILITIES	37.037.481	34.481.334	27.511.250	25.220.443	26.766.010
TOTAL EQUITY AND LIABILITIES	**125.205.464**	**121.493.971**	**114.161.858**	**110.108.225**	**108.807.942**

11. Income (loss) statement

LTL

	The Group		The Company	
	30/06/07	30/06/06	30/06/07	30/06/06
Sales	67.526.554	59.313.690	62.920.307	54.663.283
Cost of sales	55.516.183	46.722.569	51.188.666	42.759.165
GROSS PROFIT	**12.010.371**	**12.591.121**	**11.731.641**	**11.904.118**
Other operating income	646.728	1.098.408	645.458	1.137.253
Selling and distribution expenses	4.340.075	4.454.170	4.138.540	3.964.222
Administrative expenses	4.674.360	5.209.911	4.219.249	4.829.222
Other operating expenses	177.872	6.691	169.723	2.619
PROFIT FROM OPERATIONS	**3.464.792**	**4.018.757**	**3.849.587**	**4.245.308**
Interest income	191	345	191	340
Finance costs	869.167	538.966	650.832	373.519
Net foreign exchange (loss) gain	-	-59.185	-	-57.375
Rate of exchange influence	-30.332	-	-29.733	-
Other finance income	-	-	-	-
Other finance expenses	5.884	1.515	2133	35
PROFIT BEFORE INCOME TAX	**2.559.600**	**3.419.436**	**3.167.080**	**3.814.719**
Income tax expense	537.883	724.797	537.883	724.797
NET PROFIT	**2.021.717**	**2.694.639**	**2.629.197**	**3.089.922**
BASIC AND DILUTED EARNINGS PER SHARE	0,05	0,07	0,07	0,08

11.1.[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				2.021.717	2.021.717
AT 30 JUNE 2007	**39.956.657**	**3.995.665**	**-**	**23.866.501**	**67.818.823**

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				2.629.197	2.629.197
AT 30 JUNE 2007	**39.956.657**	**3.995.665**	**-**	**23.656.889**	**67.609.211**

11.1.2 Cash flow statement

LTL

	The Group		The Company	
	30/06/07	30/06/06	30/06/07	30/06/06
OPERATING ACTIVITIES				
Profit before income tax	2.559.600	3.419.436	3.167.080	3.814.719
Adjustments for:				
Depreciation and amortization	5.484.949	5.223.981	4.732.806	4.524.154
Release of negative goodwill to income	-	-	-	-
Share of loss of associates	-	-	-	-
Interest income	-191	-345	-191	-340
Finance costs	869.167	538.966	650.730	373.519
Net foreign exchange loss (gain)	30.332	59.185	29.733	57.375
Profit on disposal of fixed assets	-25.962	-735.421	-25.962	-735 421
Provisions (reversal) for slow moving inventory, write off to net realisable value and low value inventory	-	-	-	-
Fixed assets impairment losses (reversal)	-	-	-	-
Investments in subsidiary impairment	-	-	-	-
Provision for doubtful accounts receivable (reversal), write off of bad accounts receivables	-	-	-	-
Total	**8.917.895**	**8.505.802**	**8.554.196**	**8.034.006**
Changes in operating assets and liabilities:				
(Increase) decrease in other assets	-138.657	-448.423	-176.662	-448.423
Decrease in trade and other payables	-1.119.868	197.581	-1.359.907	60.129
(Increase) in inventories	-2.680.045	-3.429.781	-2.251.526	-2.267.865
Increase (decrease) in trade and other payables	3.983.575	868.985	4.068.387	41.096
Total	**45.005**	**-2.811.638**	**8.834.488**	**-2.615.063**
Interest paid	-870933	-373.519	-652.496	-373.519
Income tax paid	-1.077.146	-1.046.342	-1.077.146	-1.046.342
NET CASH FROM OPERATING ACTIVITIES	**7.014.821**	**4.274.303**	**7.104.846**	**3.999.082**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	-5.399.756	-8.661.593	-5.052.033	-8.227.777
Proceeds on disposal of property, plant and equipment and intangible assets	386.614	-	307.200	-
Proceeds on disposal of tangible assets	-	-	-	-
Interest received	191	345	191	340
Acquisition of subsidiary	-	-	-	-
Repayment of loans granted	4.838	49.944	4.838	49.944
Proceeds from long-term receivables	-	-	-	-
NET CASH (USED IN) INVESTING ACTIVITIES	**-5.008.113**	**-8.611.304**	**-4.739.804**	**-8.177.493**
FINANCING ACTIVITIES				
Dividends paid	-2.000.000	-2.000.000	-2.000.000	-2.000.000
Repayments of borrowings	-2.415.206	-639.838	-1.941.102	-362.544
Proceeds from borrowings	4.604.637	9.242.057	3.578.085	8.874.531
Repayment of long-term payables	-	-	-	-
Repayments of finance lease liabilities	-2.298.376	-2.383.844	-2.095.481	-2.131.413
NET CASH (USED IN) FINANCING ACTIVITIES	**2.108.945**	**4.218.375**	**-2.458.498**	**4.380.574**
NET (DECREASE)/INCREASE IN CASH	**-102.237**	**-118.626**	**-93.456**	**202.163**
CASH AND CASH EQUIVALENTS BEGINNING OF THE PERIOD	**571.439**	**667.557**	**461.447**	**141.254**
CASH AND CASH EQUIVALENTS END OF THE PERIOD	**469.202**	**548.931**	**367.991**	**343.417**

12. 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 30 June 2006 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 30 June property, plant and equipment consisted of the following:

The Group	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	35.698.324	82.281.732	6.134.857.	2.790.953	22.149.422	149.055.288
Additions	-	653.234	150.408	179.921	4.603.461	5.587.024
Disposals	40.022	1.087.324	252.846	17.120	-	1.397.312
Transfers	39269	2.313.185	-	-	-2.352.454	-
30 June 2007	35.697.571	84.160.827	6.032.419	2.953.754	24.400.429	153.245.000
31 December 2006	13.996.754	40.723.770	3.248.682	1.894.852	-	59.864.058
Depreciation	457.037	4.305.071	445.343	198.012	-	5.405.463
Impairment loss (reversal)	-	-	-	-	-	-
Disposals	32.271	868.483	198.193	17.106	-	1.116.053
Transfers	-	-	-	-	-	-
30 June 2007	14.421.520	44.160.358	3.495.832	2.075.758	-	64.153.468
Carrying amount						
31 December 2006	**21.701.570**	**41.557.962**	**2.886.175**	**896.101**	**-**	**89.191.230**
30 June 2007	**21.276.051**	**40.000.469**	**2.536.587**	**877.996**	**24.400.429**	**89.091.532**

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

As of 31 December 2006 the part of Group's property, plant and equipment with carrying amount of LTL 17,457,366 (31 December 2005: LTL 17,834,511) 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	-	596.782	113.891	179.921	4.428.833	5.319.427
Disposals	40.022	1.087.324	252.846	17.120	-	1.397.312
Transfers	39.269	267.546	-	-	-306.815	-
30 June 2007	33.772.717	72.069.491	4.778.958	2.841.859	24.394.714	137.857.739
Accumulated depreciation and impairment						
31 December 2006	13.837.882	38.865.084	2.744.137	1.822.149	-	57.269.252
Depreciation	431.160	3.723.034	324.838	188.260	-	4.667.292
Impairment loss/reversal)	-	-	-	-	-	-
Disposals	32.271	868.483	198.193	17.106	-	1.116.053
Transfers	-	-	-	-	-	-
30 June 2007	14.236.771	41.719.635	2.870.782	1.993.303	-	60.820.491
Carrying amount						
31 December 2006	**19.935.588**	**33.427.403**	**2.173.776**	**856.909**	**20.272.696**	**76.666.372**
30 June 2007	**19.535.946**	**30.349.856**	**1.908.176**	**848.556**	**24.394.714**	**77.037.248**

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

As of 31 December 2006 the part of Company’s property, plant and equipment with carrying amount of LTL 8,438,290 (31 December 2005: LTL 8,075,710) is pledged as security for loan granted by bank.

5. Emission rights

Emission rights movement for the first half of the year 2007

The Group/The Company	Emission rights LTL	Received Government grant LTL	Provision for used emission rights LTL
31 December 2006	3.704.441	434.437	3.270.004
Government grant received at fair value	1.125.368	1.125.368	-
After respective National Institution confirmation, the covered previous year emission rights	-3.265.701	4.303	-3.270.004
Provision for used emission rights 2007	-	-848.705	848.705
30 June 2007	1.564.108	715.403	848.705

6. INTANGIBLE ASSETS

At June 30 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	-	-	2.513	-	2513
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
30 June 2007	2.400.000	41.089	702.733	20.620	3.164.442
Accumulated amortisation					
31 December 2006	88.889	29.802	407.102	16.129	541.922
Amortisation	13.333	6.236	59.267	650	79.486
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
30 June 2007	102.222	36.038	466.369	16.779	621.408
Carrying amount					
31 December 2006	**2.311.111**	**11.287**	**293.118**	**4.491**	**2.620.007**
30 June 2007	**2.297.778**	**5.051**	**236.364**	**3.841**	**2.543.034**

As of 30 June 2007 the Group's land lease rights with carrying amount of LTL 2.297.778, 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	-	1.800	-	-	1.800
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
30 June 2007	41.089	687.347	11.496	3.836	743.768

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	6.236	58.628	650	-	65.514
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
30 June 2007	36.038	451.836	11.493	-	499.367
Carrying amount					
31 December 2006	**11.287**	**292.339**	**653**	**3.836**	**308.115**
30 June 2007	**5.051**	**235.511**	**3**	**3.836**	**244.401**

Amortization expense has been included in administrative expenses.

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following:

	The Group	The Company	
	30/06/07 LTL	30/06/07 LTL	2006 LTL
Trade receivables	17.679.838	19.049.339	17.965.183
Other receivables	1.411.218	1.231.951	899.530
	19.091.056	**20.281.290**	**18.864.713**
Less: Allowance for doubtful amounts receivable			
Total amounts receivable within one year	**19.091.056**	**20.281.290**	**18.864.713**
Less: Allowance for doubtful amounts receivable	996.984	969.986	-969.986
Total amounts receivable within one year	**18.094.072**	**19.311.304**	**17.894.727**

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

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

	The Group	The Company	
	30/06/07	30/06/07	2006
	LTL	LTL	LTL
At 1 January	**996.984**	**969.986**	**1.056.195**
Increase of allowance	-	-	33.622
Reversal of allowance	-	-	-119.831
At 30 June	**996.984**	**969.986**	**969.986**

8. LOANS GRANTED

Granted consisted of the following:

	The Group	The Company	
	30/06/07	30/06/07	2006
	LTL	LTL	LTL
Loan receivable from UAB Grigiškių transporto centras, denominated in LTL, maturity date – 31 December 2005, interest free	74.853	74.853	74.853
Loan receivable from employee denominated in LTL, maturity date – 31 December 2007, interest free	4.839	4.839	9.677
	79.692	79.692	84.530
Less: loans granted after one year	-	-	-
Less: Allowance for doubtful amounts receivable	-74.853	-74.853	74.853
Total loans granted within one year	4.839	4.839	**9.677**

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	The Group	The Company	
	30/06/07	30/06/07	2006
	LTL	LTL	LTL
Cash at bank	398.575	311.287	456.971
Cash on hand	70.627	56.704	4.476
Total	**469.202**	**367.991**	**461.447**

10. INVENTORIES

Inventories consisted of the following:

	The Group	The Company	
	30/06/07	30/06/07	2006
	LTL	LTL	LTL
Materials	6.110.210	5.962.211	4.204.918
Work in progress	4.378.960	2.125.372	2.042.924
Finished goods	3.584.832	3.251.528	3.044.044
Goods in transit	300.561	300.561	126.635
Less: write-down to net realizable value	-	-	-30.375
Total	**14.374.563**	**11.639.672**	**9.388.146**

As of 31 December 2006 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 2005 – LTL 833.634 and LTL 0).

11. SHARE CAPITAL AND LEGAL RESERVE

As of 30 June 2007 share capital consisted of LTL 39,956,657 ordinary shares at a par value of LTL 1 each. As of 30 June 2007 all shares were fully paid.

As of 30 June 2007 shareholders of the Company were as follows:

	Number of shares	Proportion of ownership, %
Lithuanian legal entities	23.232.645	58,14
Lithuanian individuals	12.275.417	30,72
Foreign legal entities	4.388.129	10,98
Foreign individuals	60.466	0,15
Total	**39.956.656**	**100**

Main shareholders:

	Number of shares	Proportion of ownership, %
UAB „Ginvildos investicija"	19.128.653	47,87
Rosemount Holdings LLC	3.597.457	9,00
Mišeikis Dailius Juozapas	2.201.367	5,51
Total	**24.927.477**	**62,39**

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.

12. BORROWINGS

	The Group	The Company	
	30/06/07 LTL	30/06/07 LTL	2006 LTL
The borrowings are repayable as follows:			
Within one year	13.493.531	6.153.774	5.404.963
In the second year	2.000.940	2.000.940	3.285.804
In the third to fifth years inclusive	9.297.740	9.297.740	7.124.704
	24.792.211	**17.452.454**	**15.815.471**
Less: amount due for settlement within one year*	13.493.531	6.153.774	5.404.963
Amount due for settlement after one year*	**11.298.680**	**11.298.680**	**10.410.508**

13. TRADE AND OTHER PAYABLES

	The Group	The Company	
	30/06/07 LTL	30/06/07 LTL	2006 LTL
Trade payables	13.100.497	12.256.661	12.030.834
Taxes, salaries and social insurance payable	3.886.871	3.644.313	3.190.238
Advances paid	218.910	188.551	158.931
Other payables	847.167	729.110	703.045
Total	**18.053.445**	**16.818.635**	**16.083.048**

14. OTHER OPERATING INCOME

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

	The Group	The Company	
	30/06/07	30/06/07	30/06/06
	LTL	LTL	LTL
Rent income	458.809	458.809	164.963
Gain from disposal of fixed assets	25.962	25.962	735.421
The reversal of inventory written off, scrap recognition	81.609	81.609	205.524
Insurance compensation	29.882	29.882	-
Write off of accounts payables	3.658	3.658	-
Communications income	-	-	268
Other income	46.808	45.538	31.345
Total	**646.728**	**645.458**	**1.137.253**

15. OTHER OPERATING EXPENSES

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

	The Group	The Company	
	30/06/07	30/06/07	30/06/06
	LTL	LTL	LTL
Rent expenses	147.408	147.408	-
Other expenses	30.464	22.315	2.619
Total	**177.872**	**169.723**	**2.619**

13. Audit Information

AB “Grigiškės” interim consolidated report for the six months of 2007 is not audit or check-up auditors.

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IV. THE NEWEST EVENTS IN THE ACTIVITIES OF THE ISSUER

14. The newest events in the activities of the Issuer

Over free months this year the Group's turnover outmeasured LTL 34,1 mln., comparing with the last year first quarter the sales increased in 13,8 %. Over first quarter 2007 the Group earned a profit of LTL 1,6 mln.

The general meeting of shareholders of Grigiškės took place on 20 April 2007. The meeting heard the annual report of the Company, auditor's report, approved financial statements for 2006, distribution of profit (loss) of the Company in 2006. The meeting of shareholders resolved to pay the dividend in the amount of LTL 2 million for the year 2006 (LTL 0,05 per share).

On June 2007, the turnover of the group of companies comprised of AB Grigiškės and UAB Baltwood amounted to LTL 11,4 million, profit – to LTL 274 thousand. Within six months of this year, the turnover of the group of companies exceeded LTL 67 million. Compared to the same period last year, sales have increased nearly by 14 per cent. Six months' profit of the group of companies amounted to LTL 2,56 million in 2007.

15. Court and arbitration proceedings

Over the first semester of 2007 there were no court or arbitration proceedings which influenced or are likely to influence the financial standing of AB Grigiškės.