AKCINĖ BENDROVĖ GRIGIŠKĖS

„Grigiškės", AB

Interim consolidated financial statements for the three months of 2009

TABLE OF CONTENTS

1. GENERAL INFORMATION

1.1. Reporting period for which this financial statements have been prepared

The interim consolidated financial statements of “Grigiškės”, AB have been prepared for the three months of 2009

1.2. Audit information

The interim consolidated financial statements of “Grigiškės”, AB covering the three months of 2009 are not audited or checked-up by auditors.

1.3. Group companies and their contact details

Grigiškės, AB (further the Company or the Issuer) has two subsidiaries: Baltwood, UAB with core activities in wood processing and Grigiškių Transporto Centras, UAB which has not been operating since 2006.

	Issuer	Subsidiary	Subsidiary
Name	Public Limited Liability Company **GRIGIŠKĖS**	Private Limited Liability Company **BALTWOOD**	Private Limited Liability Company **GRIGIŠKIŲ TRANSPORTO CENTRAS**
Company’s ID number	110012450	126199731	300015674
Authorised capital	LTL 60.000.000	LTL 9.950.000	LTL 100.000
Address	Vilniaus str. 10, Grigiškės, Vilnius	Vilniaus str. 10, Grigiškės, Vilnius	Vilniaus str. 10, Grigiškės, Vilnius
Phone	(8~5) 243 58 01	(8~5) 243 59 45	(8~5) 243 58 01
Fax	(8~5) 243 58 02	(8~5) 243 58 98	(8~5) 243 58 02
E-mail	info@grigiskes.lt	info@baltwood.lt	info@gtc.lt
Internet	www.grigiskes.lt	www.baltwood.lt	-
Legal form	Public Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company
Date of registration	23 May, 1991	1 January, 2004	6 April, 2004
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

1.4. Offices and branches

The Company has an office in Latvia (since 2006).

1.5. Nature of core activities of the group companies

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

Core business activities of Grigiškių transporto centras, UAB are as follows: trading cars. It has not been operating since 2006.

1.6. Contracts with intermediaries of public trading in securities and credit institutions

The Company has signed a contract with Finasta, AB (financial brokerage company) (Maironio str. 11, Vilnius, tel. (8~5) 203 2233, fax. (8~5) 203 2244, info@finasta.lt) on the handling of securities issued by the Company and payment of dividend to the shareholders for 2004 – 2008 financial years.

The Company has not signed contracts with financial brokerage companies and credit institutions for providing investment services for the Company.

2. FINANCIAL INFORMATION

2.1. Balance sheet

LTL

	Notes	The Group		The Company	
		31.03.2009	31.12.2008	31.03.2009	31.12.2008
ASSETS					
Non-current assets:					
Property, plant and equipment	2.7.	101.463.131	104.095.502	91.648.129	93.977.574
Intangible assets	2.8.	2.418.634	2.461.616	167.293	203.549
Investments in associated companies					-
Investments in subsidiary				5.005.000	5.005.000
Loans granted					-
Other accounts receivables					-
TOTAL NON CURRENT ASSETS		**103.881.765**	**106.557.118**	**96.820.422**	**99.186.123**
CURRENT ASSETS:					
Cash and cash equivalents	2.10.	278.812	130.026	210.630	113.472
Loans granted					
Trade and other accounts receivables	2.9.	18.200.857	18.770.638	20.468.675	21.058.324
Inventories	2.11.	14.101.020	14.826.904	12.106.327	12.558.106
Other assets		343.318	408.583	301.796	383.625
TOTAL CURRENT ASSETS		**32.924.007**	**34.136.151**	**33.087.428**	**34.113.527**
TOTAL ASSETS		**136.805.772**	**140.693.269**	**129.907.850**	**133.299.650**
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES:					
Share capital	2.12.	60.000.000	60.000.000	60.000.000	60.000.000
Legal reserve		3.995.665	3.995.665	3.995.665	3.995.665
Retained earnings		1.311.035	1.017.966	2.576.930	2.011.604
Unused emission rights’ reappraisal reserve					-
TOTAL EQUITY		**65.306.700**	**65.013.631**	**66.572.595**	**66.007.269**
GRANTS		**310.106**	**318.641**	**310.106**	**318.641**
NON-CURRENT LIABILITIES:					
Bank loans and mortgages	2.13.	15.397.963	15.397.963	15.397.963	15.397.963
Obligations under finance leases		12.593.549	12.593.549	12.247.115	12.247.115
Deferred tax liability		480.800	359.801	480.800	359.801
Other accounts payable					-
TOTAL NON-CURRENT LIABILITIES		**28.472.312**	**28.351.313**	**28.125.878**	**28.004.879**
CURRENT LIABILITIES:					
Bank loans and mortgages	2.13.	19.074.765	17.633.628	13.319.856	11.628.424
Obligations under finance leases		5.479.046	7.653.001	5.245.935	7.321.274
Delay for unused emission rights					-
Factoring		784.013	4.212.348	418.315	3.704.821
Received prepayment					
Trade and other accounts payable	2.14.	17.378.830	17.510.707	15.915.165	16.314.342
TOTAL CURRENT LIABILITIES		**42.716.654**	**47.009.684**	**34.899.271**	**38.968.861**
TOTAL EQUITY AND LIABILITIES		**136.805.772**	**140.693.269**	**129.907.850**	**133.299.650**

2.2. Income (loss) statement

LTL

	Notes	The Group		The Company	
		January – March 2009	**January – March 2008**	**January – March 2009**	**January – March 2008**
Sales		32.195.867	39.241.202	30.146.239	37.431.337
Cost of sales		27.659.111	33.304.167	25.775.376	31.848.587
GROSS PROFIT		**4.536.756**	**5.937.035**	**4.370.863**	**5.582.750**
Other operating income	2.15.	201.335	252.658	252.957	301.184
Selling and distribution expenses		1.961.641	1.766.664	1.847.914	1.702.933
Administrative expenses		1.573.540	2.679.918	1.373.503	2.445.321
Other operating expenses	2.16.	116.338	91.546	122.306	91.546
PROFIT FROM OPERATIONS		**1.086.572**	**1.651.565**	**1.280.097**	**1.644.134**
Interest income		249	189	211	151
Interest costs		660.141	604.230	582.061	465.723
Net foreign exchange (loss) gain					
Rate of exchange influence		(7.330)	(6.002)	(7.034)	(5.996)
Other finance income		80	267	80	267
Other finance expenses		5.362	3.554	4.968	3.383
PROFIT BEFORE INCOME TAX		**414.068**	**1.038.235**	**686.325**	**1.169.450**
Income tax expense		120.999	100.337	120.999	100.337
NET PROFIT		**293.069**	**937.898**	**565.326**	**1.069.113**
BASIC AND DILUTED EARNINGS PER SHARE		0,005	0,016	0,009	0,018

2.3. Statement of changes in owner's equity

LTL

The Group	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
31 December 2007		**39.956.657**	**3.995.665**		**26.973.359**	**70.925.681**
Transfer to legal reserve						
Dividends paid						
Net profit					937.898	937.898
31 March 2008		**39.956.657**	**3.995.665**		**27.911.257**	**71.863.579**
Transfer to legal reserve						
Increase of authorized capital		20.043.343			(20.043.343)	
Dividends paid					(2.000.000)	(2.000.000)
Net profit					(4.849.948)	(4.849.948)
31 December 2008		**60.000.000**	**3.995.665**		**1.017.966**	**65.013.631**
Transfer to legal reserve						
Dividends paid						
Net profit					293.069	293.069
31 March 2009	**2.12**	**60.000.000**	**3.995.665**		**1.311.035**	**65.306.700**

LTL

The Company	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
31 December 2007		**39.956.657**	**3.995.665**		**26.543.644**	**70.495.966**
Transfer to legal reserve						
Dividends paid						
Net profit					1.069.113	**1.069.113**
31 March 2008		**39.956.657**	**3.995.665**		27.612.757	71.565.079
Transfer to legal reserve						
Increase of authorized capital		20.043.343			(20.043.343)	
Dividends paid					(2.000.000)	(2.000.000)
Net profit					(3.557.810)	(3.557.810)
31 December 2008		**60.000.000**	**3.995.665**		**2.011.604**	**66.007.269**
Transfer to legal reserve						
Dividends paid						
Net profit					565.326	565.326
31 March 2009	**2.12**	**60.000.000**	**3.995.665**		**2.576.930**	**66.572.595**

2.4. Cash flow statement

LTL

	The Group		The Company	
	31.03.2009	**31.03.2008**	**31.03.2009**	**31.03.2008**
	LTL	**LTL**	**LTL**	**LTL**
OPERATING ACTIVITIES				
Profit before income tax	414.068	1.038.235	686.325	1.169.450
Adjustments for:				
Depreciation and amortization	4.173.397	2.923.364	3.803.937	2.540.305
Release of negative goodwill to income				
Share of loss of associates				
Interest income	(249)	(189)	(211)	(151)
Interest expenses	660.141	604.230	582.061	465.723
Net foreign exchange loss (gain)	7.330	6.002	7.034	5.996
Profit on disposal of fixed assets	(12.116)	5.125	(12.116)	5.125
Profit on disposal of emission rights				
Provisions (reversal) for slow moving inventory, write off to net realisable value and low value inventory	(51.080)		(51.080)	
Property, plant and equipment impairment losses (reversal)				
Provision for doubtful accounts receivable (reversal), write off of bad accounts receivables				
TOTAL	**5.191.491**	**4.576.767**	**5.015.950**	**4.186.448**
Changes in current assets and liabilities:				
(Increase) decrease in other assets	65.265	145.398	81.829	116.016
(Increase) decrease in prepayments				
Decrease (increase) in trade and other accounts receivables	569.781	(668.875)	589.649	(1.118.865)
Decrease (increase) in inventories	792.335	(3.314.549)	518.230	(3.416.519)
Increase (decrease) in trade and other accounts payable	(3.490.451)	3.257.341	(3.615.626)	3.723.653
TOTAL	**(2.063.070)**	**(580.685)**	**(2.425.918)**	**(695.715)**
Interest paid	(655.767)	(600.677)	(577.687)	(462.340)
Income tax paid	(90.000)	(286.566)	(90.000)	(286.566)
NET CASH FROM OPERATING ACTIVITIES	**2.382.654**	**3.108.839**	**1.922.345**	**2.741.827**
INVESTING ACTIVITIES				
Purchase of noncurrent assets and intangible assets	(1.553.682)	(2.617.500)	(1.493.874)	(2.554.590)
Proceeds on disposal noncurrent assets	52.383	130.101	52.383	130.101
Proceeds on disposal of emission rights				
Interest received	249	189	211	151
Acquisition of subsidiary				
Repayment of loans granted				
Proceeds from long-term receivables				
NET CASH (USED IN) INVESTING ACTIVITIES	**(1.501.050)**	**(2.487.210)**	**(1.441.280)**	**(2.424.338)**
FINANCING ACTIVITIES				
Dividends paid				
Repayments of loans and mortgages	(1.277.909)	(1.057.546)	(1.027.614)	(820.494)
Proceeds from loans and mortgages	2.719.046	1.172.108	2.719.046	1.172.108
Repayment of long-term accounts payables				
Repayments of finance lease liabilities	(2.173.955)	(946.487)	(2.075.339)	(856.433)
NET CASH (USED IN) FINANCING ACTIVITIES	**(732.818)**	**(831.925)**	**(383.907)**	**(504.819)**
NET (DECREASE)/INCREASE IN CASH	**148.786**	**(210.296)**	**97.158**	**(187.330)**
CASH AND CASH EQUIVALENTS BEGINNING OF THE PERIOD	**130.026**	**399.980**	**113.472**	**321.861**
CASH AND CASH EQUIVALENTS END OF THE PERIOD	**278.812**	**189.684**	**210.630**	**134.531**

2.5. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs, as adopted by the European Union, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of 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.

2.6. Significant accounting policies

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

Basis of consolidation

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

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

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

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

Business combinations

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

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

Investments in subsidiaries

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

Financial instruments

Non-derivative financial instruments

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

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

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

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

Derivative financial instruments

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

Noncurrent assets

Recognition and measurement

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

Construction-in-progress represents 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.

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

Subsequent costs

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

Depreciation

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

Buildings and constructions	8 – 91	years
Machinery and equipment	2 – 50	years
Vehicles	3 – 20	years
Other equipment and other assets	2 – 20	years

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

Intangible assets

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

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

Emission rights

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

Member States are required to allocate allowances to installations by 28 February each year according 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.

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

In case the Group is ‘short’ of allowances, the liability is recognised on the balance sheet being the best estimate of the expenditure (economic resources) required to settle the emission obligation.

Leased assets

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

The Group as lessor

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

The Group as lessee

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

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

Inventories

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

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

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

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

Impairment

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

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

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

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

Grants

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

Grants related to assets

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

Grants related to income

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

Dividends

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

Employee benefits

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

Provisions

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

Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

• the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

• the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

• the amount of revenue can be measured reliably;

• it is probable that the economic benefits associated with the transaction will flow to the entity; and

• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Expenses

Operating lease payments

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

Finance lease payments

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

Net financing costs

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

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

Income tax

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

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

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

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

Contingencies

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

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

Related parties

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

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

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

- Revised IFRS 2 Share-based Payment (effective from 1 January 2009). The revised Standard will clarifies the definition of vesting conditions and non-vesting conditions. Based on the revised Standards failure to meet non-vesting conditions will generally result in treatment as a cancellation. The revised IFRS 2 is not relevant to the Group’s operations as the Group does not have any share-based compensation plans.
- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009). The scope of the revised Standard has been amended and the definition of a business has been expanded. Revised IFRS 3 is relevant to the Group. However, the Group has not yet completed its analysis of the impact of the revised Standard.
- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has not yet completed its analysis of the impact of the revised Standard.
- The revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.
- Revised IAS 23 Borrowing Costs (effective from 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group has not yet completed its analysis of the impact of the revised Standard.
- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The revised IAS 27 is not relevant to the Group’s operations.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity’s parent, should be accounted for as cash-settled or equity-settled in the entity’s financial statements. IFRIC 11 is not relevant to the Group’s operations as the Group has not entered into any share-based payments arrangements.
- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group’s operations as the Group has not entered into any service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services (‘awards’) to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Group does not expect the Interpretation to have any impact on the financial statements.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements (hereinafter MFR) and their interactions (effective for annual periods beginning on or after 1 January 2008). The interpretation addresses:
  1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19;
  2) how a MFR might affect the availability of reductions in future contributions; and
  3) when a MFR might give rise to a liability.
  No additional liability need be recognised by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The Group has not yet completed its analysis of the impact of the new interpretation.

2.7. Noncurrent assets

At 31th of March 2009 noncurrent assets 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 2008	40.878.909	128.121.785	5.857.101	3.515.353	5.580.243	183.953.391
Additions		145.545	33.920	3.099	1.371.118	1.553.682
Disposals		527.841	175.970	17.630		721.441
Transfers		340.577			(340.577)	0
31 March 2009	**40.878.909**	**128.080.065**	**5.715.051**	**3.500.822**	**6.610.785**	**184.785.632**
Accumulated depreciation and impairment						
31 December 2008	15.793.229	58.388.887	3.319.637	2.356.136	0	79.857.889
Depreciation	268.760	3.534.465	206.813	120.377		4.130.415
Impairment loss (reversal)						
Disposals		486.354	162.477	16.972		665.803
Transfers						
31 March 2009	**16.061.989**	**61.436.998**	**3.363.973**	**2.459.541**	**0**	**83.322.501**
Carrying amount						
31 December 2008	**25.085.680**	**69.732.898**	**2.537.464**	**1.159.217**	**5.580.243**	**104.095.502**
31 March 2009	**24.816.920**	**66.643.068**	**2.351.078**	**1.041.281**	**6.610.784**	**101.463.131**

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

As at 31th of March 2009, the part of the Group's property, plant and equipment with a carrying value of 22,199,989 Litas (31 December 2008 – 22,909,012 Litas) is pledged as a security for repayment of the loans granted by banks.

The Company	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 2008	38.923.042	116.001.399	4.414.462	3.347.737	5.580.244	168.266.884
Additions		119.657		3.099	1.371.118	1.493.874
Disposals		527.841	175.970	17.630	0	721.441
Transfers		340.577			-340.577	0
31 March 2009	**38.923.042**	**115.933.792**	**4.238.492**	**3.333.206**	**6.610.785**	**169.039.317**
Accumulated depreciation and impairment						
31 December 2008	15.529.978	54.091.698	2.423.282	2.244.352	0	74.289.310
Depreciation	255.604	3.224.279	173.048	114.750		3.767.681
Impairment loss (reversal)						0
Disposals		486.354	162.477	16.972		665.803
Transfers						0
31 March 2009	**15.785.582**	**56.829.623**	**2.433.853**	**2.342.130**	**0**	**77.391.188**
Carrying amount						
31 December 2008	**23.393.064**	**61.909.701**	**1.991.180**	**1.103.385**	**5.580.244**	**93.977.574**
31 March 2009	**23.137.460**	**59.104.169**	**1.804.639**	**991.076**	**6.610.785**	**91.648.129**

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

As at 31th of March 2009, the part of the Company's property, plant and equipment with a carrying value of 13,924,330 Litas (31 December 2008 – 14,008,119 Litas) is pledged as a security for repayment of the loans granted by banks.

2.8. Intangible assets

At 31th of March 2009, Group's intangible assets consisted of the following:

The Group	Land lease rights	Licenses, patents	Software	Other assets and prepayments	Total
	LTL	LTL	LTL	LTL	LTL
Cost					
31 December 2008	2.400.000	56.238	793.845	11.533	3.261.616
Additions					
Disposals					
Reappraisal					
Transfers					
31 March 2009	**2.400.000**	**56.238**	**793.845**	**11.533**	**3.261.616**
Accumulated amortization					
31 December 2008	142.222	40.206	606.041	11.531	800.000
Amortization	6.667	2.266	34.049	0	42.982
Impairment loss/ (reversal)					
Disposals					
Transfers					
31 March 2009	**148.889**	**42.472**	**640.090**	**11.531**	**842.982**
Carrying amount					
31 December 2008	**2.257.778**	**16.032**	**187.804**	**2**	**2.461.616**
31 March 2009	**2.251.111**	**13.766**	**153.755**	**2**	**2.418.634**

As of 31th of March 2009, the Group's land lease rights with a carrying value of 2,251,111 Litas (31 December 2009 – 2,257,778 Litas) are pledged as a security for repayment of the loan granted by banks.

At 31[sh] of March 2009, intangible assets consisted of the following:

The Company	Licenses and patents	Software	Other assets	Prepayments	Total
	LTL	LTL	LTL	LTL	LTL
Cost					
31 December 2008	56.238	778.460	6.245		840.943
Additions					
Disposals					
Reappraisal					
Transfers					
31 March 2009	**56.238**	**778.460**	**6.245**	**0**	**840.943**
Accumulated amortization					
31 December 2008	40.206	590.944	6.244		637.394
Amortization	2.266	33.990			36.256
Impairment loss/ (reversal)					
Disposals					
Transfers					
31 March 2009	**42.472**	**624.934**	**6.244**	**0**	**673.650**
Carrying amount					
31 December 2008	**16.032**	**187.516**	**1**	**0**	**203.549**
31 March 2009	**13.766**	**153.526**	**1**	**0**	**167.293**

Amortization expenses have been included in administrative expenses.

2.9. Trade and other receivables

At 31[sh] of March 2009, trade and other receivables consisted of the following:

	The Group		The Company	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008
	LTL	LTL	LTL	LTL
Trade receivables	17.864.230	17.009.290	20.292.143	19.457.219
Other receivables	459.452	1.884.173	278.809	1.703.382
	18.323.682	**18.893.463**	**20.570.952**	**21.160.601**
Less: Allowance for doubtful amounts receivable	(122.825)	(122.825)	(102.277)	(102.277)
Total amounts receivable within one year	**18.200.857**	**18.770.638**	**20.468.675**	**21.058.324**

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

The movement for the three months of 2009 in the allowance for doubtful amounts receivable consisted of the following:

	The Group		The Company	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008
	LTL	LTL	LTL	LTL
At 1st of January	**122.825**	**955.391**	**102.277**	**923.393**
Increase of allowance		84.792		69.244
Reversal of allowance		(917.358)		(890.360)
At the end of the period	**122.825**	**122.825**	**102.277**	**102.277**

2.10. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	The Group		The Company	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008
	LTL	LTL	LTL	LTL
Cash at bank	263.012	100.628	197.561	86.486
Cash on hand	15.800	29.398	13.069	26.986
Total	**278.812**	**130.026**	**210.630**	**113.472**

2.11. Inventories

Inventories consisted of the following:

	The Group		The Company	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008
	LTL	LTL	LTL	LTL
Materials	4.384.340	3.920.928	4.299.114	3.826.432
Work in progress	3.451.449	4.394.147	1.927.623	2.866.955
Finished goods	6.729.218	7.004.843	6.343.577	6.357.733
Goods in transit		22.053		22.053
	14.565.007	**15.341.971**	**12.570.314**	**13.073.173**
Less: write-down to net realizable value	(463.987)	(515.067)	(463.987)	(515.067)
Total	**14.101.020**	**14.826.904**	**12.106.327**	**12.558.106**

As at 31 March 2009, the Group's and the Company's inventory with carrying amounts of 14,000,000 Litas and 12,000,000 Litas respectively are pledged as a security for the loan granted by the bank (as at 31 December 2008 – 10,000,000 Litas and 8,000,000 Litas).

2.12. Share capital and legal reserve

As of 31sh of March 2009 share capital consisted of LTL 60,000,000 ordinary shares at a par value of LTL 1 each. All shares were fully paid.

As of 31th March 2009 shareholders of the Company were as follows:

	Number of shares	Proportion of ownership, %
Lithuanian legal entities	32.661.250	54,4
Lithuanian individuals	21.108.621	35,2
Foreign legal entities	6.121.013	10,2
Foreign individuals	109.116	0,2
Total	**60.000.000**	**100,0**

At 31sh of March 2009 shareholders of the Company (by country) were:

	Number of shares	Proportion of ownership, %
Lithuania	53.769.871	89,6
USA	6.008.542	10,0
Great Britain	67.876	0,1
Norway	48.052	0,1
Estonia	47.896	0,1
other countries	57.763	0,1
Total	**60.000.000**	**100,0**

At 31sh of March 2009 shareholders who owned more than 5 % of the Company's shares were:

	Number of shares	Proportion of ownership, %
UAB „Ginvildos investicija" I. Kanto av. 19-7, Vilnius 125436533	29 057 403	48,43
Rosemount Holding LLC 3533 Fairview Industrial Drive SE, Salem,OR 97302, United States of America	5 639 967	9,40
Dailius Juozapas Mišeikis	5 997 932	10,00
Total	**40 695 302**	**67,83**

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.

2.13. Loans and mortgages

	The Group		The Company	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008
	LTL	LTL	LTL	LTL
The loans and mortgages are repayable as follows:				
Within one year	19.074.765	17.633.628	13.319.856	11.628.424
In the second year	4.683.524	4.683.524	4.683.524	4.683.524
In the third to fifth years inclusive	10.714.439	10.714.439	10.714.439	10.714.439
	34.472.728	**33.031.591**	**28.717.819**	**27.026.387**
Less: amount due for settlement within one year *	(19.074.765)	(17.633.628)	(13.319.856)	(11.628.424)
Amount due for settlement after one year	**15.397.963**	**15.397.963**	**15.397.963**	**15.397.963**

2.14. Trade and other payables

	The Group		The Company	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008
	LTL	LTL	LTL	LTL
Trade payables	13.323.035	13.590.037	12.222.596	12.829.579
Taxes, salaries and social insurance payable	2.675.828	2.722.379	2.427.649	2.621.071
Advances paid	181.605	239.309	166.395	131.201
Other payables	1.198.362	958.982	1.098.525	732.491
Total	**17.378.830**	**17.510.707**	**15.915.165**	**16.314.342**

2.15. Other operating income

Other operating income consisted of the following:

	The Group		The Company	
	01.01.2009-31.03.2009	01.01.2008-31.03.2008	01.01.2009-31.03.2009	01.01.2008-31.03.2008
	LTL	LTL	LTL	LTL
Rent income	163.740	167.968	202.122	209.203
Gain from disposal of fixed assets	12.116	(5.125)	12.116	(5.125)
The reversal of inventory written off, scrap recognition	15.705	71.584	15.705	71.584
Insurance compensation		5.252		8.712
Write off of accounts payables	2.270	195	2.270	195
Communications income				
Other income	7.504	12.784	20.744	16.615
Total	**201.335**	**252.658**	**252.957**	**301.184**

2.16. Other operating expenses

Other operating expenses consisted of the following:

	The Group		The Company	
	01.01.2009-31.03.2009	01.01.2008-31.03.2008	01.01.2009-31.03.2009	01.01.2008-31.03.2008
	LTL	LTL	LTL	LTL
Rent expenses	65.261	79.752	65.261	79.752
Insurance expenses	37.839		43.807	
Other expenses	13.238	11.794	13.238	11.794
Total	**116.338**	**91.546**	**122.306**	**91.546**

2.17. Off balance articles

Emission rights movement for the three months of 2009

The Group/The Company	Amount
	Pcs.
31 December 2008	(12.617)
Emission rights allocated	53.356
Emission rights used	(11.029)
Sale of emission rights	
31 March 2009	**29.710**

3. REVIEW

3.1. Review of the activities of group companies

3.1.1. Material events in the Issuer’s activities

January The Board meeting on 9 January 2009 approved a budget for the year 2009. This year the Group which consists of JSC Grigiskes and daughter enterprise Baltwood LTD plans to reach a turnover of LTL 150 mln. (EUR 43.4 mln.). Comparing with the forecasted results of the year 2008 the sales in 2009 will increase by LTL 4 mln. (EUR 1.2 mln.). In 2009 the Group plans to earn a profit before taxes of LTL 0,3 mln. (EUR 0.1 mln.).

The Group which consists of JSC Grigiskes and daughter enterprise Baltwood LTD planned results for year 2009 were calculated in pursuance of sales maintaining on the level of year 2008. Prices of raw material were forecasted according to the recent price trends. Also we believe, that price of the natural gas which has a significant impact on the Group’s results will not exceed the price level what was reached in autumn 2008. According to that we believe that plan for year 2009 and planned results adopted by the Grigiškės AB Board meeting are real and achievable.

February On 3 February 2009 „Grigiskes“, AB has signed a contract with an audit company “Tezaurus auditas”, UAB to carry out an audit of JSC Grigiškės financial statements and consolidated financial statements for year ended on 31 december 2008.

The Board meeting on 13 February 2009 decided to estabilish a subsidiary company that will produce and realize corrugated carton and products made from it.

March Management Board of Joint-stock company “GRIGIŠKĖS” passed the following decision on the 17th of March, 2009: the General Meeting will take place on the 21st of April 2009 at 11 a.m. at the company's administration building (Vilniaus str. 10, Grigiškės, Vilnius city municipality).
Accounting day is 14th April 2009.
On the agenda:

1. 1) Company's annual report 2008.
2. 2) Company's auditor's report 2008.
3. 3) Approval of the financial statements for the year 2008.
4. 4) Net Profit appropriation for the year 2008.
5. 5) Selection of the firm of auditors and fixing of the conditions of the remuneration for the audit services.

3.1.1.1. Table. Sales of Group‘s, AB main products in years 2008 - 2009

Product name	Three months of 2009		Three months of 2008	
	thousand LTL	%	thousand LTL	%
Hardboard	9.843,7	30,6	17.911,1	45,6
Paper and paper products	14.396,6	44,7	11.700,4	29,8
Corrugated board and related production	1.440,1	4,5	1.796,4	4,6
Corrugated and wraper paper	87,9	0,3	1.815,6	4,6
Heat (services)	3.671,6	11,4	2.647,3	6,7
Wood processing	2.605,9	8,1	3.084,2	7,9
Other production	150,1	0,4	286,2	0,8
TOTAL	**32.195,9**	**100,0**	**39.241,2**	**100,0**

3.1.1.2. Table. Sales of Grigiškės, AB main products in years 2008 - 2009

Product name	Three months of 2009		Three months of 2008	
	thousand. LTL	%	thousand. LTL	%
Hardboard	9.881,0	32,8	17.911,6	47,9
Paper and paper products	14.397,7	47,8	11.701,1	31,3
Corrugated board and related production	1.440,1	4,8	1.796,4	4,8
Corrugated and wraper paper	87,9	0,3	1.815,6	4,9
Heat (services)	3.899,5	12,9	2.791,9	7,5
Other production	440,0	1,4	1.414,7	3,6
TOTAL	**30.146,2**	**100,0**	**37.431,3**	**100,0**

3.1.2. Newest events in the Issuer's activities

The Management Board meeting on 10 04 2009 approved the audited Company's annual report, heard the auditor's opinion on the company's activities year 2008, evaluated positive and decided to supply for approval the projects of annual financial statement and profit appropriation for Annual General Meeting.

The Grigiškės, AB General Meeting was held on 21 04 2009.

3.2. Transactions with related persons

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

Baltwood, UAB – subsidiary of Grigiškės, AB
Ginvildos Investicija, UAB – major shareholder of Grigiškės, AB.
Didma, UAB and Remada, UAB – companies related to the managing officers of the group.
Grigiškių Transporto Centras, UAB – subsidiary of the group not subject to consolidation.

3.2.1. Table. Group's transactions with related persons during the three months of 2009. Balances of amounts receivable/payable in relation thereto on 31 March 2009 (LTL)

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
Ginvildos Investicija, UAB	99	23.450	117	9163
Didma, UAB	10.978	59.501	43487	
Remada, UAB	873		5.228	
Naras, UAB	21.861		23141	
Grigiškių transporto centras, UAB				
Total	**33.811**	**82.951**	**71.973**	**9.163**

3.2.2. Table. Grigiškės, AB transactions with related persons during the three months of 2009. Balances of amounts receivable/payable in relation thereto on 31 March 2009 (LTL)

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
Baltwood, UAB	584.704	270.185	4.382.277	
Ginvildos Investicija, UAB	99	23.450	117	9163
Didma, UAB	754	58.193	308	
Remada, UAB	873		5.228	
Naras, UAB	21.861		23141	
Grigiškių transporto centras, UAB				
Total	**608.291**	**351.828**	**4.411.071**	**9.163**

3.3. Court and arbitration proceedings

During the three months of 2008 the Group and the Company were not involved in any legal proceedings would have a material impact on the financial statements.