GRIGIŠKĖS", AB

Corrected interim consolidated financial statements for the first half of 2008

CONFIRMATION OF RESPONSIBLE PERSONS

Following Part 1 of Article 22 of the Law on Securities of the Republic of Lithuania, and rules prepared by the Lithuanian Securities Commission for preparation and announcement of periodical and supplementary information, we, the undersigned – General Director Gintautas Pangonis and Director of Finance Department Nina Šilerienė – approve that the corrected interim consolidated financial statements for the first half of 2008, prepared in accordance with International Financial Reporting Standards, are true, correctly reflect issuer's and aggregate consolidated companies' assets, liabilities, financial standing, profit or loss

„Grigiškės", AB General Director **Gintautas Pangonis**

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

ENCLOSURE: „Grigiškės", AB corrected interim consolidated financial statements for the first half of 2008 (22 pages).

„Grigiškės", AB

Corrected interim consolidated financial statements for the first half of 2008

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I. GENERAL ATTITUDE

1. REPORTING PERIOD FOR WHICH THIS FINANCIAL STATEMENTS HAVE BEEN PREPARED

The interim consolidated financial statements have been prepared for the first half of 2008

2. ISSUER AND ITS CONTACT DETAILS

Name of the Issuer	Public Company **„GRIGIŠKĖS“**
Company’s ID number	110012450
Authorised capital	LTL 60.000.000
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 form	Public company
Date of registration	23 May 1991
Name of Register of legal entities	State Enterprise Canter of Registers

II. FINANCIAL STATEMENT

3. BALANCE SHEET

LTL

	Notes	The Group		The Company	
		30.06.2008	31.12.2007	30.06.2008	31.12.2007
ASSETS					
Non-current assets:					
Property, plant and equipment	5.4.	93.315.294	92.600.718	82.567.069	81.226.857
Intangible assets	5.5.	2.412.274	2.489.319	140.685	204.208
Investments in associates					
Investments in subsidiary				5.005.000	5.005.000
Loans granted					
Other receivables					
TOTAL NON CURRENT ASSETS		**95.727.568**	**95.090.037**	**87.712.754**	**86.436.065**
CURRENT ASSETS:					
Cash and cash equivalents	5.7.	207.029	399.980	136.358	321.861
Loans granted					
Trade and other receivables	5.6.	21.323.985	19.837.056	22.840.075	21.250.698
Inventories	5.8.	17.606.663	16.217.413	14.912.917	12.598.837
Other assets		723.031	496.944	587.526	417.766
TOTAL CURRENT ASSETS		**39.860.708**	**36.951.393**	**38.476.876**	**34.589.162**
TOTAL ASSETS		**135.588.276**	**132.041.430**	**126.189.630**	**121.025.227**
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES:					
Share capital	5.9.	60.000.000	39.956.657	60.000.000	39.956.657
Legal reserve	5.9.	3.995.665	3.995.665	3.995.665	3.995.665
Retained earnings		4.767.555	26.973.359	5.258.109	26.543.644
Unused emission rights' reappraisal reserve					
TOTAL EQUITY		**68.763.220**	**70.925.681**	**69.253.774**	**70.495.966**
GRANTS		**341.401**	**341.401**	**341.401**	**341.401**
NON-CURRENT LIABILITIES:					
Bank loans	5.10.	16.120.424	9.946.962	16.120.424	9.946.962
Obligations under finance leases		6.811.422	6.123.473	6.133.491	5.521.007
Deferred tax liability		847.183	873.483	504.516	530.816
Other payables					
TOTAL NON-CURRENT LIABILITIES		**23.779.029**	**16.943.918**	**22.758.431**	**15.998.785**
CURRENT LIABILITIES:					
Bank loans	5.10.	15.817.861	16.546.361	9.338.553	9.592.950
Obligations under finance leases		2.008.586	3.977.122	1.813.392	3.614.854
Delay for unused emission rights					
Factoring		4.896.304	4.257.777	4.125.274	3.174.826
Received prepayment					
Trade and other payables	5.11.	19.981.875	19.049.170	18.558.805	17.806.445
TOTAL CURRENT LIABILITIES		**42.704.626**	**43.830.430**	**33.836.024**	**34.189.075**
TOTAL EQUITY AND LIABILITIES		**135.588.276**	**132.041.430**	**126.189.630**	**121.025.227**

4. INCOME (LOSS) STATEMENT

LTL

	Notes	The Group				The Company			
		January – June 2008	**January – June 2007**	**April-June 2008**	**April-June 2007**	**January – June 2008**	**January – June 2007**	**April-June 2008**	**April-June 2007**
Sales		77.101.133	67.526.554	37.859.931	33.399.676	72.447.618	62.920.307	35.016.281	31.042.019
Cost of sales		67.028.331	55.516.183	33.724.164	27.602.251	62.644.611	51.188.666	30.796.024	25.269.450
GROSS PROFIT		**10.072.802**	**12.010.371**	**4.135.767**	**5.797.425**	**9.803.007**	**11.731.641**	**4.220.257**	**5.772.569**
Other operating income	5.12.	655.520	646.728	402.862	412.553	741.746	645.458	440.562	329.071
Selling and distribution expenses		3.830.360	4.340.075	2.063.696	2.248.544	3.672.687	4.138.540	1.969.754	2.173.510
Administrative expenses		5.579.597	4.674.360	2.899.679	2.373.082	4.892.503	4.219.249	2.447.182	2.138.616
Other operating expenses	5.13.	198.297	177.872	106.751	133.869	198.297	169.723	106.751	125.771
PROFIT FROM OPERATIONS		**1.120.068**	**3.464.792**	**(531.497)**	**1.454.483**	**1.781.266**	**3.849.587**	**137.132**	**1.663.743**
Interest income		461	191	272	96	331	191	180	96
Finance costs		1.232.517	869.167	628.287	463.152	974.579	650.832	508.856	347.836
Net foreign exchange (loss) gain									
Rate of exchange influence		(12052)	(30.332)	(6050)	(9022)	(11.876)	(29.733)	(5880)	(8908)
Other finance income		25		(242)	(2335)	25		(242)	(2335)
Other finance expenses		8.144	5.884	4590	1647	7.057	2.133	3674	(1283)
PROFIT BEFORE INCOME TAX		**(132.159)**	**2.559.600**	**(1.170.394)**	**978.423**	**788.110**	**3.167.080**	**(381.340)**	**1.306.043**
Income tax		30.302	537.883	(70.035)	219.028	30.302	537.883	(70.035)	219.028
NET PROFIT		**(162.461)**	**2.021.717**	**(1.100.359)**	**759.395**	**757.808**	**2.629.197**	**(311.305)**	**1.087.015**
BASIC AND DILUTED EARNINGS PER SHARE			0,05		0,02	0,01	0,06		0,03

4.1.[1] STATEMENT FOR CHANGES IN EQUITY

LTL

The Group	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
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
30 June 2007		**39.956.657**	**3.995.665**		**23.866.501**	**67.818.823**
Transfer to legal reserve						
Dividends paid						
Net profit					3.106.858	3.106.858
31 December 2007		**39.956.657**	**3.995.665**		**26.973.359**	**70.925.681**
Transfer to legal reserve						
Increase of authorized capital		20.043.343			(20.043.343)	
Dividends paid					(2.000.000)	(2.000.000)
Net profit					(162.461)	(162.461)
30 June 2008	**12**	**60.000.000**	**3.995.665**		**4.767.555**	**68.763.220**

The Company	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
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
30 June 2007		**39.956.657**	**3.995.665**		**23.656.889**	**67.609.211**
Transfer to legal reserve						
Dividends paid						
Net profit					2.886.755	2.886.755
31 December 2007		**39.956.657**	**3.995.665**		**26.543.644**	**70.495.966**
Transfer to legal reserve						
Increase of authorized capital		20.043.343			(20.043.343)	
Dividends paid					(2.000.000)	(2.000.000)
Net profit					757.808	757.808
30 June 2008	**12**	**60.000.000**	**3.995.665**		**5.258.109**	**69.253.774**

4.1.[2] CASH FLOW STATEMENT

LTL

	The Group		The Company	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	LTL	LTL	LTL	LTL
OPERATING ACTIVITIES				
Profit before income tax	(132.159)	2.559.600	757.808	3.167.080
Adjustments for:				
Depreciation and amortization	6.287.234	5.484.949	5.530.277	4.732.806
Release of negative goodwill to income				
Share of loss of associates				
Interest income	(461)	(191)	(331)	(191)
Interest expenses	1.240.661	869.167	981.636	650.730
Net foreign exchange loss (gain)	12.052	30.332	11.876	29.733
Profit on disposal of fixed assets	(2.517)	(25.962)	(2.618)	(25.962)
Profit on disposal of emission rights				
Provisions (reversal) for slow moving inventory, write off to net realisable				
Property, plant and equipment impairment losses (reversal)				
Provision for doubtful accounts receivable (reversal), write off of bad accounts	(917.358)		(890.360)	
Total	**6.487.452**	**8.917.895**	**6.388.288**	**8.554.196**
Changes in current assets and liabilities:				
(Increase) decrease in prepayments	226.087	(138.657)	169.760	(176.662)
Decrease (increase) n trade and other receivables	(569.571)	(1.119.868)	(699.017)	(1.359.907)
Decrease (increase) in inventories	(1.389.250)	(2.680.045)	(2.314.080)	(2.251.526)
Increase (decrease) in trade and other payables	1.544.932	3.983.575	1.676.508	4.068.387
Total	**(187.802)**	**45.005**	**(1.166.829)**	**8.834.488**
Interest paid	(1.232.517)	(870.933)	(974.579)	(652.496)
Income tax paid	(613.292)	(1.077.146)	(613.292)	(1.077.146)
NET CASH FROM OPERATING ACTIVITIES	**4.453.841**	**7.014.821**	**3.633.588**	**7.104.846**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	(6.165.209)	(5.399.756)	(6.005.488)	(5.052.033)
Proceeds on disposal of property, plant and equipment and intangible assets	251.682	386.614	251.682	307.200
Proceeds on disposal of tangible assets				
Interest received	461	191	331	191
Acquisition of subsidiary				
Repayment of loans granted		4.838		4.838
Proceeds from long-term receivables				
NET CASH (USED IN) INVESTING ACTIVITIES	**(5.913.066)**	**(5.008.113)**	**(5.753.475)**	**(4.739.804)**
FINANCING ACTIVITIES				
FINANCING ACTIVITIES				
Dividends paid	(2.000.000)	(2.000.000)	(2.000.000)	(2.000.000)
Repayments of borrowings	(2.500.619)	(2.415.206)	(1.924.118)	(1.941.102)
Proceeds from borrowings	7.945.581	4.604.637	7.843.181	3.578.085
Repayment of long-term payables				
Repayments of finance lease liabilities	(2.178.688)	(2.298.376)	(1.984.679)	(2.095.481)
NET CASH (USED IN) FINANCING ACTIVITIES	**(1.266.274)**	**2.108.945**	**1.934.384**	**(2.458.498)**
NET (DECREASE)/INCREASE IN CASH	**(192.951)**	**(102.237)**	**(185.503)**	**(93.456)**
CASH AND CASH EQUIVALENTS BEGINNING OF THE PERIOD	**399.980**	**571.439**	**321.861**	**461.447**
CASH AND CASH EQUIVALENTS END OF THE PERIOD	**207.029**	**469.202**	**136.358**	**367.991**

5. EXPLANATORY NOTE

5.1. General information

Grigiškės, AB (hereinafter the Company) was established in 1823. The former state owned company Grigiškės, AB 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.

At 30th of June 2008 the Group consisted of the Company and its wholly owned (100%) subsidiary Baltwood, UAB. 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
Grigiškės, AB	Lithuania	Vilniaus str. 10, 27101 Vilnius – Grigiškės	Fiberboard, corrugated cardboard and paper articles produce
Baltwood, UAB	Lithuania	Vilniaus str. 10, 27101 Vilnius – Grigiškės	Wood processing
Grigiškių transporto centras, UAB	Lithuania	Vilniaus str. 10, 27101 Vilnius – Grigiškės	Resale of used vehicles

The financial statements of Grigiškių Transporto Centras, UAB are not consolidated in 2007 and 2008 as the company did not performed its activities during this period.

5.2. Basis of preparation

Statement of compliance

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

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.

5.3. Significant accounting policies

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

Basis of consolidation

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

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

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

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

Business combinations

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

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

Investments in subsidiaries

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

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.

Property, plant and equipment

Recognition and measurement

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

Construction-in-progress represents 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	4 – 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.

5.4. Property, plant and equipment

At 30th of June 2008 property, plant and equipment consisted of the following:

The Group	Buildings and constructions	Machinery and Equipment	Vehicles	Other assets	Construction in progress and prepayments	Total
	LTL	LTL	LTL	LTL	LTL	LTL
Modified cost						
31 December 2007	35.737.017	86.909.630	6.692.848	2.902.368	29.604.284	161.846.147
Additions		106.830	765.228	716.996	5.592.280	7.181.334
Disposals	9.643	2.077.703	194.358	87.845	6000	2.375.549
Transfers		26.470.015		5.715	(26.475.730)	0
30 June 2008	35.727.374	111.408.772	7.263.718	3.537.234	8.714.834	166.651.932
Accumulated depreciation and impairment						
31 December 2007	14.869.802	48.417.376	3.854.142	2.104.109		69.245.429
Depreciation	443.010	5.041.271	510.428	215.481		6.210.190
Impairment loss (reversal)						
Disposals	8.107	1.836.443	186.673	87.758		2.118.981
Transfers						
30 June 2008	15.304.705	51.622.204	4.177.897	2.231.832		73.336.638
Carrying amount						
31 December 2007	**20.867.215**	**38.492.254**	**2.838.706**	**798.259**	**29.604.284**	**92.600.718**
30 June 2008	**20.422.669**	**59.786.568**	**3.085.821**	**1.305.402**	**8.714.834**	**93.315.294**

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

As at 30 June 2008, the part of the Group's property, plant and equipment with a carrying value of 19,753,013 Litas (31 December 2007 – 18,901,606 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 2007	33.781.150	74.811.342	5.442.826	2.752.873	29.598.569	146.386.760
Additions		84.732	678.448	708.075	5.592.280	7.063.535
Disposals	9.643	2.077.703	194.358	87.845	6000	2.375.549
Transfers		26.470.015			(26.470.015)	
30 June 2008	33.771.507	99.288.386	5.926.916	3.373.103	8.714.834	151.074.746
Accumulated depreciation and impairment						
31 December 2007	14.659.176	45.359.104	3.126.850	2.014.773		65.159.903
Depreciation	416.698	4.421.943	423.751	204.363		5.466.755
Impairment loss (reversal)						
Disposals	8.107	1.836.443	186.673	87.758		2.118.981
Transfers						
30 June 2008	15.067.767	47.944.604	3.363.928	2.131.378		68.507.677
Carrying amount						
31 December 2007	19.121.974	29.452.238	2.315.976	738.100	29.598.569	81.226.857
30 June 2008	18.703.740	51.343.782	2.562.988	1.241.725	8.714.834	82.567.069

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

As at 30 June 2008, the part of the Company's property, plant and equipment with a carrying value of 10,603,810 Litas (31 December 2007 – 10,777,422 Litas) is pledged as a security for repayment of the loans granted by banks.

5.5. Intangible assets

At 30th of June 2008, 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 2007	2.400.000	56.238	668.525	17.694	3.142.457
Additions					
Disposals				4.200	4.200
Reappraisal					
Transfers					
30 June 2008	2.400.000	56.238	668.525	13.494	3.138.257
Accumulated amortization					
31 December 2007	115.556	29.837	490.966	16.779	653.138
Amortization	13.333	5.836	57.874	1	77.044
Impairment loss/ (reversal)					
Disposals				4199	4.199
Transfers					
30 June 2008	128.889	35.673	548.840	12.581	725.983
Carrying amount					
31 December 2007	**2.284.444**	**26.401**	**177.559**	**915**	**2.489.319**
30 June 2008	**2.271.111**	**20.565**	**119.685**	**913**	**2.412.274**

As of 30 June 2008, the Group's land lease rights with a carrying value of 2,271,111 Litas (31 December 2007 – 2,284,444 Litas) are pledged as a security for repayment of the loan granted by banks.

At 30[sh] of June 2008, intangible assets consisted of the following:

The Company	Licenses and patents	Software	Other assets	Prepayments	Total
	LTL	LTL	LTL	LTL	LTL
Cost					
31 December 2007	56.238	653.140	12.406		721.784
Additions					
Disposals			4.200		4.200
Reappraisal					
Transfers					
30 June 2008	56.238	653.140	8.206		717.584
Accumulated amortization					
31 December 2007	29.837	476.246	11.493		517.576
Amortization	5.836	57.686			63.522
Impairment loss/ (reversal)					
Disposals			4.199		4.199
Transfers					
30 June 2008	35.673	533.932	7.294		576.899
Carrying amount					
31 December 2007	**26.401**	**176.894**	**913**		**204.208**
30 June 2008	**20.565**	**119.208**	**912**		**140.685**

Amortization expenses have been included in administrative expenses.

5.6. Trade and other receivables

Trade and other receivables consisted of the following:

	The Group		The Company	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
	LTL	LTL	LTL	LTL
Trade receivables	19.796.249	19.044.210	21.493.153	20.749.726
Other receivables	1.565.769	1.748.237	1.379.955	1.424.365
	21.362.018	**20.792.447**	**22.873.108**	**22.174.091**
Less: Allowance for doubtful amounts receivable	(38.033)	(955.391)	(33.033)	(923.393)
Total amounts receivable within one year	**21.323.985**	**19.837.056**	**22.840.075**	**21.250.698**

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

The movement for the first half of 2008 in the allowance for doubtful amounts receivable consisted of the following:

	The Group		The Company	
	2008	2007	2008	2007
	LTL	LTL	LTL	LTL
At 1st of January	**955.391**	**996.984**	**923.393**	**969.986**
Increase of allowance		14.678		9.678
Reversal of allowance	(917.358)	(56.271)	(890.360)	(56.271)
At 30th of June	**38.033**	**955.391**	**33.033**	**923.393**

5.7. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	The Group		The Company	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
	LTL	LTL	LTL	LTL
Cash at bank	186.216	328.221	122.686	286.582
Cash on hand	20.813	71.759	13.672	35.279
Total	**207.029**	**399.980**	**136.358**	**321.861**

5.8. Inventories

Inventories consisted of the following:

	The Group		The Company	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
	LTL	LTL	LTL	LTL
Materials	6.457.514	5.463.309	6.332.318	4.873.416
Work in progress	4.698.350	5.049.245	2.978.704	2.355.556
Finished goods	6.611.339	5.790.581	5.762.435	5.455.587
Goods in transit		74.818		74.818
	17.767.203	**16.377.953**	**15.073.457**	**12.759.377**
Less: write-down to net realizable value	(160.540)	(160.540)	(160.540)	(160.540)
Total	**17.606.663**	**16.217.413**	**14.912.917**	**12.598.837**

As at 30 June 2008, the Group's and the Company's inventory with carrying amounts of 8,833,634 Litas and 8,000,000 Litas respectively are pledged as a security for the loan granted by the bank (as at 31 December 2007 – 8,833,634 Litas and 8,000,000 Litas).

5.9. Share capital and legal reserve

As of 30th June 2008 share capital consisted of LTL 60,000,000 ordinary shares at a par value of LTL 1 each. As of 30th June 2008 all shares were fully paid.

As of 30th June 2008 shareholders of the Company were as follows:

	Number of shares	Proportion of ownership, %
Lithuanian legal entities	31.426.467	52,4
Lithuanian individuals	23.128.908	38,6
Foreign legal entities	5.427.318	9,0
Foreign individuals	17.307	0,0
Total	**60.000.000**	**100**

Main shareholders:

	Number of shares	Proportion of ownership, %
UAB „Ginvildos investicija"	28.732.479	47,89
Rosemount Holdings LLC	5.425.441	9,04
Mišeikis Dailius Juozapas	4.391.057	7,32
Total	**38.548.977**	**64,25**

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.

5.10. Borrowings

	The Group		The Company	
	30.06.2008	**31.12.2007**	**30.06.2008**	**31.12.2007**
	LTL	**LTL**	**LTL**	**LTL**
The borrowings are repayable as follows:				
Within one year	15.817.861	16.546.361	9.338.553	9.592.950
In the second year	4.414.495	4.414.495	4.414.495	4.414.495
In the third to fifth years inclusive	11.705.929	5.532.467	11.705.929	5.532.467
	31.938.285	**26.493.323**	**25.458.977**	**19.539.912**
Less: amount due for settlement within one year *	(15.817.861)	(16.546.361)	(9.338.553)	(9.592.950)
Amount due for settlement after one year	**16.120.424**	**9.946.962**	**16.120.424**	**9.946.962**

5.11. Trade and other payables

	The Group		The Company	
	30.06.2008	**31.12.2007**	**30.06.2008**	**31.12.2007**
	LTL	**LTL**	**LTL**	**LTL**
Trade payables	13.366.875	12.814.582	12.469.688	11.977.734
Taxes, salaries and social insurance payable	4.042.603	4.028.350	3.873.242	3.870.000
Advances paid	122.249	292.373	107.065	277.390
Other payables	2.450.148	1.913.865	2.108.810	1.681.321
Total	**19.981.875**	**19.049.170**	**18.558.805**	**17.806.445**

5.12. Other operating income

For the first half of 2008 other operating income consisted of the following:

	The Group		The Company	
	01.01.2008-30.06.2008	**01.01.2007-30.06.2007**	**01.01.2008-30.06.2008**	**01.01.2007-30.06.2007**
	LTL	**LTL**	**LTL**	**LTL**
Rent income	343.762	458.809	426.641	458.809
Gain from disposal of fixed assets	2.517	25.962	2.618	25.962
The reversal of inventory written off, scrap recognition	253.552	81.609	253.552	81.609
Insurance compensation	7.709	29.882	8.202	29.882
Write off of accounts payables	195	3.658	195	3.658
Communications income	73		73	
Other income	47.712	46.808	50.465	45.538
Total	**655.520**	**646.728**	**741.746**	**645.458**

5.13. Other operating expenses

For the first halt of 2008 other operating expenses consisted of the following:

	The Group		The Company	
	01.01.2008-30.06.2008	01.01.2007-30.06.2007	01.01.2008-30.06.2008	01.01.2007-30.06.2007
	LTL	LTL	LTL	LTL
Rent expenses	164.430	147.408	164.430	147.408
Other expenses	33.867	30.464	33.867	22.315
Total	**198.297**	**177.872**	**198.297**	**169.723**

5.14. Off balance article

Emission rights movement for the first half 2008

The Group/The Company	Amount
	Pcs.
31 December 2007	770
Emission rights allocated	51.325
Emission rights used	(25.538)
Sale of emission rights	
31 March 2008	**26.557**

6. AUDIT INFORMATION

The interim consolidated report of "Grigiškės", AB covering the first half of 2008 is not audited or checked-up by auditors.