

AB GRIGIŠKĒS

Financial Statement for the first quarter of the year 2007

AB GRIGIŠKĖS

BALANCE SHEET AT THE FIRST QUARTER 2007

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Financial Statement for the first quarter of the year 2007

The interim Statements for the ended 31 March 2007 have been prepared in accordance with International Financial Reporting Standard as adopted by the European Union. We consider that the accounting policies used are appropriate and that the interim statements thus give a true and fair view.

Director of Finance department

Nina Šilerienė

Economist

Jurgita Jermolajevaitė

AB GRIGIŠKĖS

BALANCE SHEET AT THE FIRST QUARTER 2007

GENERAL ATTITUDE

1.1. Reporting cycle

Annual report prepared for the three month of the year 2007.

1.2. Issuer main information

Issuer name	AB "GRIGIŠKĖS"
Code	1100 12450
Share capital	39 956 657 Lt
Address	Vilniaus g. 10, Grigiškės, Vilnius
Phone no.	+370 5 243 58 01
Fax no.	+370 5 243 58 02
E-mail	info@grigiskes.lt
Internet	www.grigiskes.lt
Legalese-organizational form	Corporation, limited private juridical person
Incorporated date and place	At 2 nd April 1992 the Republic of Lithuania economy ministry

AB GRIGIŠKĒS**BALANCE SHEET
AT THE FIRST QUARTER 2007**

	<u>The Group</u>		<u>The Company</u>	
	<u>2007 03 31</u>	<u>2006</u>	<u>2007 03 31</u>	<u>2006</u>
ASSETS	LTL	LTL	LTL	LTL
Non-current assets				
Property, plant and equipment	88 152 116	89 191 231	75 748 271	76 666 372
Intangible assets	2 580 493	2 620 007	275 099	308 115
Investments in subsidiary	-	-	5 005 000	5 005 000
Loans granted	-	-	-	-
Total non current assets	90 732 609	91 811 238	81 028 370	81 979 487
Current assets				
Cash and cash equivalents	651 923	571 439	625 590	461 447
Loans granted	7 258	9 677	7 258	9 677
Trade and other receivables	18 955 786	16 917 534	20 041 054	17 894 727
Inventories	12 086 375	11 694 518	9 115 859	9 388 146
Other assets	1050 988	489 565	1 038 021	374 741
Total current assets	32 752 330	29 682 733	30 827 782	28 128 738
TOTAL ASSETS	123 484 939	121 493 971	111 856 152	110 108 225
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	39 956 657	39 956 657	39 956 657	39 956 657
Legal reserve	3 995 665	3 995 665	3 995 665	3 995 665
Retained earnings	25 107 108	23 844 784	24 569 874	23 027 692
Total equity	69 059 430	67 797 106	68 522 196	66 980 014
Non-current liabilities				
Grants	341 401	341 401	341 401	341 401
Bank loans	13 791 658	10 410 508	10 188 777	10 410 508
Obligations under finance leases	7 572 542	7 518 420	6 612 246	6 558 124
Deferred tax liability	929 070	945 202	581 603	597 735
Total non-current liabilities	22 634 671	19 215 531	17 724 027	17 907 768
Current liabilities				
Bank loans	9 949 422	12 192 272	6 738 770	5 404 963
Obligations under finance leases	2871 356	4 116 967	2 601 155	3 732 432
Factoring	357 528	39 170	-	-
Trade and other payables	18 612 532	18 132 925	16 270 004	16 083 048
Total current liabilities	31 790 838	34 481 334	25 609 929	25 220 443
Total liabilities	54 425 509	53 696 865	43 333 956	43 128 211
TOTAL EQUITY AND LIABILITIES	123 484 939	121 493 971	111 856 152	110 108 225

Nina Šilerienė
Director of Finance department

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INCOME STATEMENT FOR THE FIRST QUARTER 2007

	The Group		The Company	
	2007 03 31	2006 03 31	2007 03 31	2006 03 31
	LTL	LTL	LTL	LTL
Sales	34 126 878	29 978 232	31 878 288	27 496 338
Cost of sales	(27 913 932)	(23 558 187)	(25 919 216)	(21 472 562)
Gross profit	6 212 946	6 420 045	5 959 072	6 023 776
Other operating income	234 175	393 192	316 387	393 192
Selling and distribution expenses	(2 091 531)	(2 101 737)	(1 965 030)	(1 931 376)
Administrative expenses	(2 301 278)	(2 662 758)	(2 080 633)	(2 420 979)
Other operating expenses	(44 003)	(17 910)	(43 952)	(17 910)
Profit from operations	2 010 309	2 030 832	2 185 844	2 046 703
Interest income	95	200	95	200
Finance costs	(406 015)	(244 332)	(302 996)	(169 494)
Net foreign exchange (loss) gain	(21 310)	(18 282)	(20 825)	(17 731)
Other finance income	2 335	-	2 335	-
Other finance expenses	(4 237)	(1 395)	(3 416)	(3 100)
Profit before income tax	1 581 177	1 767 023	1 861 037	1 859 647
Income tax expense	(318 855)	(334 454)	(318 855)	(349 800)
NET PROFIT	1 262 322	1 432 569	1 542 182	1 789 222
Basic and diluted earnings per share	0.03	0.04	0.04	0.04

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STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER 2007

The Group	Share capital	Legal reserve	Retained earnings	Total
	LTL	LTL	LTL	LTL
At 1 January 2006	39 956 657	3 693 300	20 761 041	64 410 998
Transfer to legal reserve	-	302 365	(302 365)	-
Dividends paid	-	-	(2 000 000)	(2 000 000)
Net profit	-	-	5 386 108	5 386 108
At 31 December 2006	39 956 657	3 995 665	23 844 784	67 797 106
Transfer to legal reserve	-	-	-	-
Dividends paid	-	-	-	-
Net profit	-	-	1 262 322	1 262 322
At 31 March 2007	39 956 657	3 995 665	25 107 106	69 059 428

The Company	Share capital	Legal reserve	Retained earnings	Total
	LTL	LTL	LTL	LTL
At 1 January 2006	39 956 657	3 693 300	18 982 309	62 632 266
Transfer to legal reserve	-	302 365	(302 365)	-
Dividends paid	-	-	(2 000 000)	(2 000 000)
Net profit	-	-	6 347 748	6 347 748
At 31 December 2006	39 956 657	3 995 665	23 027 692	66 980 014
Transfer to legal reserve	-	-	-	-
Dividends paid	-	-	-	-
Net profit	-	-	1 542 182	1 542 182
At 31 March 2007	39 956 657	3 995 665	24 569 874	68 522 196

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CASH FLOW STATEMENT FOR THE FIRST QUARTER 2007

	The Group		The Company	
	2007 03 31	2006	2007 03 31	2006
	LTL	LTL	LTL	LTL
OPERATING ACTIVITIES				
Profit before income tax	1 581 177	7 165 466	1 861 037	8 132 172
Adjustments for:				
Depreciation and amortization	2 715 300	10 176 927	2 355 994	8 864 749
Release of negative goodwill to income	-	-	-	-
Share of loss of associates	-	-	-	-
Interest income	(95)	(480)	(95)	(480)
Finance costs	406 015	1 300 138	302 996	941 096
Net foreign exchange loss (gain)	21 310	102 732	20 825	98 843
Profit on disposal of fixed assets	(4 087)	(88 159)	(4 087)	(88 159)
Profit on disposal of emission rights	-	(1 307 748)	-	(1 307 748)
Provisions (reversal) for slow moving inventory, write off to net realisable value and low value inventory	(31 557)	184 515	(23 589)	(100 783)
Fixed assets impairment losses (reversal)	-	(267 807)	-	(267 807)
Goodwill impairment	-	-	-	-
Investments in subsidiary impairment	-	-	-	-
Provision for doubtful accounts receivable (reversal), write off of bad accounts receivables	(821)	(41 215)	(821)	(41 215)
	4 718 799	17 224 369	4 512 260	16 230 668
Changes in operating assets and liabilities:				
(Increase) decrease in other assets	(561 423)	(158 394)	(663 280)	(71 388)
Decrease (increase) in trade and other receivables	(2 038 252)	64 534	(2 105 112)	(1 170 061)
(Increase) in inventories	391 857	(702 845)	162 287	(539 535)
Increase (decrease) in trade and other payables	479 607	156 691	(68 675)	256 930
	2 990 588	16 584 355	1 837 480	14 706 614
Interest paid	(406 015)	(1 300 319)	(302 996)	(941 277)
Income tax paid	-	(1 856 361)	-	(1 856 361)
Net cash from operating activities	2 584 573	13 427 675	1 534 484	11 908 976

(continued)

AB GRIGIŠKĒS

CASH FLOW STATEMENT FOR THE FIRST QUARTER 2007

(continued)

	The Group		The Company	
	2007 03 31	2006	2007 03 31	2006
	LTL	LTL	LTL	LTL
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	1 657 717	(19 477 927)	(1 425 923)	(17 686 656)
Proceeds on disposal of property, plant and equipment	21 045	813 191	21 045	733 777
Proceeds on disposal of emission rights	-	1 307 748	-	1 307 748
Interest received	95	480	95	480
Acquisition of subsidiary	-	-	-	-
Repayment of loans granted	2 419	9 468	2 419	9 468
Proceeds from long-term receivables	-	-	-	-
Net cash (used in) investing activities	1 681 276	(17 347 040)	(1 402 364)	(15 635 183)
FINANCING ACTIVITIES				
Dividends paid	(2 897)	(2 000 000)	(2 898)	(2 000 000)
Repayments of borrowings	(1 385 099)	(2 273 617)	(1 148 047)	(1 450 176)
Proceeds from borrowings	2 523 399	12 915 158	2 260 123	11 823 433
Repayment of long-term payables	-	-	-	-
Repayments of finance lease liabilities	(1 191 489)	(4 818 294)	(1 077 155)	(4 326 857)
Net cash from (used in) financing activities	(2 897)	3 823 247	32 023	4 046 400
Net (decrease)/increase in cash	4 262 952	(96 118)	164 143	320 193
CASH AND CASH EQUIVALENTS BEGINNING OF THE YEAR	571 439	667 557	461 447	141 254
CASH AND CASH EQUIVALENTS END OF THE YEAR	651 923	571 439	625 590	461 447

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EXPLANATORY NOTES FOR THE FIRST QUARTER 2007

GENERAL INFORMATION

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

As of 31 December 2006 and 2005 the Group consisted of the Company and its wholly owned (100%) subsidiary UAB Baltwood. The Company's and its subsidiaries the addresses of their registered office and the principal activities are as follow:

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

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

As of 31 December 2006 in the Group and in the Company employed 890 and 795 people respectively (2005: 933 and 835 people respectively).

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Year 2006

In the current year the Company and the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Company's and the Group's accounting policies.

a) Standards, amendments and interpretations effective in 2006, but not relevant to the Company's and the Group's accounting policies

The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies:

- IAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures (effective for annual periods beginning on or after 1 January 2006);
- IAS 39 (Amendment), The Fair Value Option (effective for annual periods beginning on or after 1 January 2006);
- IAS 21 (Amendment), Net Investments in a Foreign Operation (effective for annual periods beginning on or after 1 January 2006);
- IAS 39 (Amendment), Cash flow hedge accounting of forecast intragroup transactions (effective for annual periods beginning on or after 1 January 2006);
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective for annual periods beginning on or after 1 January 2006);
- IFRS 6, Exploration for and evaluation of mineral resources (effective for annual periods beginning on or after 1 January 2006);
- IFRIC 4, Determining Whether an Arrangement Contains a Lease (effective for annual periods beginning on or after 1 January 2006);
- IFRIC 5, Rights To Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for annual periods beginning on or after 1 January 2006); and
- IFRIC 6, Liabilities arising from participating in a specific market – waste electrical and Electronic Equipment (effective for annual periods beginning on or after 1 December 2005).

b) Standards, amendments and interpretations that are issued but not yet not effective and have not been early adopted by the Company and the Group

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 (Amendment), Capital disclosures (effective for annual periods beginning on or after 1 January 2007);
- IFRS 7, Financial Instruments: Disclosure (supersedes IAS 30) (effective for annual periods beginning on or after 1 January 2007);
- IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009) (not yet endorsed by the EU);

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EXPLANATORY NOTES FOR THE FIRST QUARTER 2007

- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006) (not yet endorsed by the EU);
- IFRIC 11, IFRS 2, Group Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007) (not yet endorsed by the EU); and
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008) (not yet endorsed by the EU).

The management of the Company and the Group anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statement of the Company and the Group.

Year 2005

In 2005, the Group and the Company has adopted all of the new and revised Standards that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's and the Company's accounting policies in the following areas that have affected the amounts reported for the 2005 or prior years:

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

IFRS 3, Business combinations

Goodwill

IFRS 3 has been adopted for business combinations for which the agreement date is on or after 31 March 2004. The option of limited retrospective application of the Standard has not been taken up, thus avoiding the need to restate past business combinations. The Group had no acquisitions during the 2004 accounting period. Therefore, the first transaction to which the new Standard has been applied is the acquisition of 50% shares in UAB Baltwood on 20 June 2005.

After initial recognition, IFRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under IAS 36 Impairment of Assets (as revised in 2004), impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. IFRS 3 prohibits the amortisation of goodwill. Previously, under IAS 22, the Group carried goodwill in its balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill, subject to the rebuttable presumption that the maximum useful life of goodwill was 5 years.

In accordance with the transitional rules of IFRS 3, the Group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after 31 March 2004, i.e. 1 January 2005, to goodwill acquired in business combinations for which the agreement date was before 31 March 2004. Therefore, from 1 January 2005, the Group has discontinued amortising such goodwill and has tested the goodwill for impairment in accordance with IAS 36. At 1 January 2005, the carrying amount of amortisation accumulated before that date of 24 LTL has been eliminated, with a corresponding decrease in goodwill.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.

No amortisation has been charged in 2005. The charge in 2004 was LTL 24. An impairment loss of LTL 453 has been recognised in the current period in accordance with IAS 36.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

IFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in profit or loss. IFRS 3 prohibits the recognition of negative goodwill in the balance sheet.

Previously, under IAS 22 (superseded by IFRS 3), the Group released negative goodwill to income over a number of accounting periods, based on an analysis of the circumstances from which the balance resulted. Negative goodwill was reported as a deduction from assets in the balance sheet.

In accordance with the transitional rules of IFRS 3, the Group has applied the revised accounting policy prospectively from 1 January 2005. Therefore, the change has had no impact on amounts reported for 2004 or prior periods.

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EXPLANATORY NOTES FOR THE FIRST QUARTER 2007

The carrying amount of negative goodwill at 1 January 2005 has been derecognised at the effective date of the change in accounting policy. Therefore, an adjustment is made to opening equity, increasing retained earnings and decreasing negative goodwill at 1 January 2005 by LTL 2,135,276.

Under the previous accounting policy, 66,902 LTL of negative goodwill would have been released to income during 2005, leaving a balance of negative goodwill of LTL 2,068,374 at 31 December 2005. Therefore, the impact of the change in accounting policy in 2005 is a reduction in other operating income of LTL 66,902 and an increase in net assets at 31 December 2005 of LTL 2,068,374.

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Change in accounting policy

From 1 January 2006 the Company and the Group has changed its method of accounting for the emission rights as the new policy is considered to be more appropriate for the fair presentation of the Company's and the Group's financial position and operating performance. Under the new when the Group and the Company has sufficient allowances to meet its obligations, the net approach is applied, the amount of the provision is equal to the costs of the assets and neither the asset nor the provision is presented on the balance sheet. In case the Company is 'short' of allowances, the liability is recognised on the balance sheet being the best estimate of the expenditure (economic resources) required to settle the emission obligation. Until 1 January 2006 emission rights after initial recognition recorded as intangible assets re-measured at fair value by reference to an active market. Re-measurements related to not used emission rights are recognised directly in a separate component of equity. The revaluation results of obligations related to used emission rights (upon settlement or sale) are recognised in the income statement.

Principles of consolidation

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

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

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

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

Business combinations

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

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

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EXPLANATORY NOTES FOR THE FIRST QUARTER 2007

Investments in subsidiaries

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

Investments in associates

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

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

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

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

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

Property, plant and equipment

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

Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

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

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

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

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

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

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

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

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EXPLANATORY NOTES FOR THE FIRST QUARTER 2007

Intangible Assets

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

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

Impairment of property, plant and equipment and intangible assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Emission rights

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

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

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

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

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

Inventories

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

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EXPLANATORY NOTES FOR THE FIRST QUARTER 2007

Financial assets

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

Loans and receivables

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

Effective interest method

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

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

Impairment of financial assets

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities

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

Other financial liabilities

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

The effective interest method

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

Fair value of financial instruments

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

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EXPLANATORY NOTES FOR THE FIRST QUARTER 2007

Grants

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

Grants related to assets

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

Grants related to income

Grants related to income are received as a reimbursement for the expenses already incurred and as a compensation for unearned revenue, and also all other grants than those related to assets. Grants are recognized when they are received or there is a reasonable assurance that they will be received.

Lease

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

The Company and the Group as lessor

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

The Company and the Group as lessee

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

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

Revenue recognition

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

Sale of goods

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

- the Company and the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of services

Sales of services are recognised on performance of the services.

Interest income is recognized on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign Currencies

Transactions denominated in foreign currency other than Litas (LTL) are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

The applicable rates used for the principal currencies as of 31 December were as follows:

	2007		2006
1 USD	= 2.6304 LTL	1 USD	= 2.9102 LTL
1 EUR	= 3.4528 LTL	1 EUR	= 3.4528 LTL
1 GBP	= 5.1468 LTL	1 GBR	= 5.0141 LTL
10 PLN	= 8.9888 LTL	10 PLN	= 8.9608 LTL

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EXPLANATORY NOTES FOR THE FIRST QUARTER 2007

Finance costs

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

Taxation

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

Current income tax

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

Deferred income tax

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

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

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

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

Current and deferred income tax for the period

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

Financial risk management

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

Credit risk

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

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

Interest rate risk

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

Foreign currencies exchange risk

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

Liquidity risk

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

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EXPLANATORY NOTES FOR THE FIRST QUARTER 2007

Contingencies

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

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

Subsequent events

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

Related parties

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

Critical accounting judgments and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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PROPERTY, PLANT AND EQUIPMENT

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

The Group	Buildings and constructions LTL	Machinery and Equipment LTL	Vehicles LTL	Other assets LTL	Construction in progress and prepayments LTL	Total LTL
Modified cost						
31 December 2006	35 698 324	82 281 732	6 134 857	2 790 953	22 149 422	149 055 288
Additions	-	282 015	64 373	133 821	1 176 795	1 657 004
Disposals	40 022	126 278	35 000	2 260	-	203 560
Transfers	-	2 313 185	-	-	(2 313 185)	-
31 March 2007	35 658 302	84 750 654	6 164 230	2 922 514	21 013 032	150 508 732
31 December 2006	13 996 754	40 723 770	3 248 682	1 894 852	-	59 864 058
Depreciation	228 698	2 126 711	222 092	97 572	-	2 675 073
Impairment loss/ (reversal)	-	-	-	-	-	-
Disposals	32 271	126 273	21 712	2 259	-	182 515
Transfers	-	-	-	-	-	-
31 March 2007	14 193 181	42 724 208	3 449 062	1 990 165	-	62 356 616
Carrying amount						
31 December 2006	21 701 570	41 557 962	2 886 175	896 101	-	89 191 230
31 March 2007	21 465 121	42 026 446	2 715 168	932 349	-	88 152 116

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

As of 31 December 2006 the part of Group's property, plant and equipment with carrying amount of LTL 17,457,366 (31 December 2005: LTL 17,834,511) is pledged as security for loan granted by banks.

As of 31 December 2006 the Group's property, plant and equipment, include assets with a net book value of LTL 21,707,110 (31 December 2005: LTL 22,432,871) which are accounted for using historical cost as adjusted for indexation, using indexation rates set by the Lithuanian Government less subsequent depreciation and impairment loss.

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The Company	Buildings and constructions LTL	Machinery and Equipment LTL	Vehicles LTL	Other assets LTL	Construction in progress and prepayments LTL	Total LTL
Modified cost						
31 December 2006	33 773 470	72 292 487	4 917 913	2 679 058	20 272 696	133 935 624
Additions		225 562	64 373	133 821	1 002 167	1 425 923
Disposals	40 022	126 278	35 000	2 260		203 560
Transfers		267 546			(267 546)	
31 March 2007		72 659 317	4 947 286	2 810 619	21 007 317	135 157 987
31 December 2006	13 837 882	38 865 084	2 744 137	1 822 149		57 269 252
Depreciation	215 760	1 853 332	161 840	92 047		2 322 979
Impairment loss/reversal)						
Disposals	32 271	126 273	21 712	2 259		182 515
Transfers						
31 March 2007	14 021 371	40 592 143	2 884 265	1 911 937		59 409 716
Carrying amount						
31 December 2006	19 935 588	33 427 403	2 173 776	856 909	20 272 696	76 666 372
31 March 2007	19 712 077	32 067 174	2 063 021	898 682	21 007 317	75 748 271

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

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

As of 31 December 2006 the Company's property, plant and equipment, include assets with a net book value of LTL 21,707,110 (31 December 2005: LTL 22,432,871) which are accounted for using historical cost as adjusted for indexation, using indexation rates set by the Lithuanian Government less subsequent depreciation and impairment loss.

EMISSION RIGHTS

Emission rights movement for 31 March 2007

The Group/The Company	Emission rights LTL	Received Government grant LTL	Provision for used emission rights LTL
31 December 2006	3 704 441	434 437	3 270 004
Government grant received at fair value	1125368	1125368	
Disposals	(3 265 701)	-	(3 265 701)
Provision for used emission rights	-	621 237	621 237
31 March 2007	1 564 108	938 568	625 540

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INTANGIBLE ASSETS

At 31 March intangible assets consisted of the following:

The Group	Land lease rights LTL	Licenses, patents LTL	Software LTL	Other assets and prepayments LTL	Total LTL
Cost					
31 December 2006	2 400 000	41 089	700 220	20 620	3 161 929
Additions	-	-	713	-	713
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Reappraisal	-	-	-	-	-
31 March 2007	2 400 000	41 089	700 933	20 620	3 162 642
Accumulated amortisation					
31 December 2006	88 889	29 802	407 102	16 129	541 922
Amortisation	6 667	3 248	29 922	390	40 227
Impairment loss/ (reversal)	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
31 March 2007	95 556	33 050	437 024	16 519	582 149
Carrying amount					
31 December 2006	2 311 111	11 287	293 118	4 491	2 620 007
31 March 2007	2 304 444	8 039	263 909	4 101	2 580 493

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As of 31 December 2006 the Group's land lease rights with carrying amount of LTL 2,311,111 (31 December 2005: LTL 2,337,778) are pledged as security for loan granted by bank.

The Company	Licenses and patents LTL	Software LTL	Other assets LTL	Prepayments LTL	Total LTL
Cost					
31 December 2006	41 089	685 547	11 496	3 836	741 968
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Reappraisal	-	-	-	-	-
Transfers	-	-	-	-	-
31 March 2007	41 089	685 547	11 496	3 836	741 968
Accumulated amortisation					
31 December 2006	29 802	393 208	10 843	-	433 853
Amortisation	3 248	29 378	390	-	33 017
Impairment loss/ (reversal)	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
31 March 2007	33 050	422 587	11 233	-	466 870
Carrying amount					
31 December 2006	11 287	292 339	653	3 836	308 115
31 March 2007	8 039	262 961	263	3 836	275 099

Amortization expense has been included in administrative expenses.

TRADE AND OTHER RECEIVABLES

At 31 March trade and other receivables consisted of the following:

	Group	Company	
	2007.03.31	2007.03.31	2006
	LTL	LTL	LTL
Trade receivables	17 672 326	19 085 448	17 965 183
Other receivables	2 280 444	1 925 592	899 530
	19 952 770	21 011 040	18 864 713
Less: Allowance for doubtful amounts receivable	(996 984)	(969 986)	(969 986)
Total amounts receivable within one year	18 955 786	20 041 054	17 894 727

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

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

	The Group	The Company	
	2007.03.31	2007.03.31	2006
	LTL	LTL	LTL
At 1 January	996 984	969 986	1 056 195
Increase of allowance	-	-	33 622
Reversal of allowance	-	-	(119 831)
At 31 March	996 984	969 986	969 986

LOANS GRANTED

As of 31 March loans granted consisted of the following:

	The Group	The Company	
	2007.03.31	2007.03.31	2006
	LTL	LTL	LTL
Loan receivable from UAB Grigiškių transporto centras, denominated in LTL, maturity date – 31 December 2005, interest free	74 853	74 853	74 853
Loan receivable from employee denominated in LTL, maturity date – 31 December 2007, interest free	7 258	7 258	9 677
	82 111	82 111	84 530
Less: Allowance for doubtful amounts receivable	74 853	74 853	74 853
Total loans granted within one year	7 258	7 258	9 677

CASH AND CASH EQUIVALENTS

As of 31 March cash and cash equivalents consisted of the following:

	The Group	The Company	
	2007.03.31	2007.03.31	2006
	LTL	LTL	LTL
Cash at bank	601 092	579 115	456 971
Cash on hand	50 831	46 475	4 476
Total	651 923	625 590	461 447

INVENTORIES

As of 31 March inventories consisted of the following:

	The Group	The Company	
	2007.03.31	2007.03.31	2006
	LTL	LTL	LTL
Materials	5 100 452	4 835 488	4 204 918
Finished goods	2 838 559	2 553 969	3 044 044
Work in progress	3 956 984	1 536 022	2 042 924
Goods in transit	190 380	190 380	126 635
	12 086 375	9 115 859	9 418 521

As of 31 December 2006 the Group's and Company's inventory with carrying amounts of LTL 5,833,634 and LTL 833,634 are pledged as security for loan granted by bank (as of 31 December 2005 – LTL 833,634 and LTL 0).

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APPENDIX TO THE ANNUAL REPORT FOR THE FIRST QUARTER 2007

SHARE CAPITAL AND LEGAL RESERVE

As of 31 March 2007 share capital consisted of LTL 39,956,657 ordinary shares at a par value of LTL 1 each. As of 31 March 2007 all shares were fully paid.

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

	Number of shares	Proportion of ownership, %
Lithuanian legal entities	21 761 856	54,46
Lithuanian individuals	12 328 649	30,86
Foreign legal entities	5 811 503	14,54
Foreign individuals	54 649	0,14
Total	39 956 657	100

Main shareholders:

	Number of shares	Proportion of ownership, %
UAB Ginvidos investicija	18 895 104	47,29
Rosemount Holdings LLC	3 554 319	8,90
Mišėikis Dailius Juozapas	2 146 745	5,37
Total	24 596 168	61,56

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.

BORROWINGS

	The Group 2007.03.31	The Company	
	LTL	2007.03.31	2006
	LTL	LTL	LTL
The borrowings are repayable as follows:			
Within one year	9.949.422	6.738.770	5 404 963
In the second year	4.140.412	3.192.204	3 285 804
In the third to fifth years inclusive	9.651.246	6.996.573	7 124 704
	23.741.080	16.927.547	15 815 471
Less: amount due for settlement within one year	10 577 151	6 738 770	5 404 963
Amount due for settlement after one year*	13 163 929	10 188 777	10 410 508

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TRADE AND OTHER PAYABLES

At 31 March trade and other payables consisted of the following:

	The Group	The Company	
	2007.03.31	2007.03.31	2006
	LTL	LTL	LTL
Trade payables	11 187 273	9 135 749	12 030 834
Taxes, salaries and social insurance payable	3 454 688	3 325 349	3 190 238
Accrued charges	849 617	820 378	77 609
Advances paid	279 032	279 032	158 931
Other payables	2 841 922	2 709 496	625 436
Total	18 612 532	16 270 004	16 083 048

BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organized into three operating divisions – paper and wood processing. These divisions are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented below.

	Paper		Fiber		Unallocated		Total	
	2007 03 31	2006 03 31	2007 03 31	2006 03 31	2007 03 31	2006 03 31	2007 03 31	2006 03 31
	LTL	LTL	LTL	LTL	LTL	LTL	LTL	LTL
Sales	13 635 806	12 765 489	15 635 727	12 016 265	2 606 755	2 714 584	31 878 288	27 496 338
Cost of sales	10 746 587	9 471 880	13 169 976	9 959 381	2 002 653	2 041 283	25 919 216	21 472 544
Gross profit	13 635 806	12 765 489	15 635 727	12 016 265	2 606 755	2 714 584	31 878 288	27 496 338
Depreciation and amortisation	941 966	892 879	825 429	648 236	588 601	531 024	2 355 996	2 072 139
Segment tangible and intangible assets	33 878 412	30 921 178	14 167 834	16 605 298	27 977 123	23 804 034	76 023 369	71 330 510
Segment tangible and intangible assets additions	874 662	6 868 386	158 174	2 102 213	393 087	608 791	1 425 923	9 579 390

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Geographical segments

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

31 March 2007.	Paper		Fiber		Unallocated		Total	
	Domestic LTL	Export LTL	Domestic LTL	Export LTL	Domestic LTL	Export LTL	Domestic LTL	Export LTL
Sales	8 731 402	4 904 404	9 470 391	6 165 336	2 606 755	0	20 808 548	11 069 740
Cost of sales	6 723 521	4 023 066	8 287 265	4 882 710	2 002 654	0	17 013 440	8 905 776
Gross profit	2 007 880	881 338	1 183 126	1 282 626	604 102	0	3 795 108	2 163 964

31 March 2006	Paper		Fiber		Unallocated		Total	
	Domestic LTL	Export LTL	Domestic LTL	Export LTL	Domestic LTL	Export LTL	Domestic LTL	Export LTL
Sales	6 995 893	5 769 596	7 268 308	4 747 957	2 714 583	0	16 978 784	10 517 553
Cost of sales	4 836 312	4 635 569	6 211 599	3 747 782	2 041 282	0	13 089 193	8 383 351
Gross profit	2 159 581	1 134 028	1 056 709	1 000 175	673 302	0	3 889 592	2 134 202

All of the Company's assets are located in the Republic of Lithuania.

OTHER OPERATING INCOME

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

	<u>The Group</u>	<u>The Company</u>	
	<u>2007.03.31</u>	<u>2007.03.31</u>	<u>2006</u>
	<u>LTL</u>	<u>LTL</u>	<u>LTL</u>
Gain from sold emission rights			1 307 748
Rent income	157 427	232 061	498 608
Gain from disposal of fixed assets	4 087	4 087	133 018
The reversal of inventory written off, scrap recognition	24 883	24 883	342 800
Insurance compensation	13 020	11 299	37 319
Write off of accounts payables			6 030
Communications income	2 886	4 455	-
Other income	6592	14 322	140 644
Iš viso	208 895	291 107	2 466 167

OTHER OPERATING EXPENSES

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

	<u>The Group</u>	<u>The Company</u>	
	<u>2007.03.31</u>	<u>2007.03.31</u>	<u>2006</u>
	<u>LTL</u>	<u>LTL</u>	<u>LTL</u>
Rent expenses	4 014	4 014	26 798
Other expenses	10 297	10 246	161 427
Total	14 311	14 260	188 225

AUDIT INFORMATION

AB "Grigiškės" 31 March 2007 financial statement is not audit or check-up auditors.