AKCINĖ BENDROVĖ GRIGIŠKĖS

LST EN ISO 9001:2001 Zertifikat 15 100 9488

Juridinių asmenų registras. Įmonės kodas 110012450. PVM mokėtojo kodas LT100124515. Vilniaus g. 10, Grigiškės, LT-27101 Vilniaus m. sav. Tel.(8~5) 2435801. Faks.(8~5) 2435802. A/s Nr. LT57 7044 0600 0091 4946 AB SEB bankas. Banko kodas 70440

Lithuanian Securities Commission
Konstitucijos av. 23
LT-08105 Vilnius, Lithuania

31.07.2009 No 026-SK/2009-613

**CONFIRMATION OF RESPONSIBLE PERSONS**

Pursuing Part 2 of Article 22 of the Law on Securities of the Republic of Lithuania, and rules prepared by the Lithuanian Securities Commision 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 not audited financial statements of AB Grigiškės for the I half of 2009 year, as made in compliance with applicable accounting standards, are true, correctly reflect issuer's and aggregate consolidated companies' assets, liabilities, financial standing, profit or loss, and also that the consolidated report for the I half of 2009 year shows fair bussines environment as well as description of the company's performance.

ENCLOSURE: „Grigiškės", AB interim information for the six months of 2009 (35 pages).

General Director Gintautas Pangonis

Director of Finance Department Nina Šilerienė

*“GRIGIŠKĖS”, AB*

*Interim information for the six months of 2009*

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

Reports have been prepared for the six months of 2009

## 2. AUDIT INFORMATION

The interim consolidated information of "Grigiškės", AB covering the six months of 2009 is not audited or checked-up by auditors.

## 3. GROUP COMPANIES AND THEIR CONTACT DETAILS

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

| Status | Issuer | Subsidiary | Subsidiary | Subsidiary |
|---|---|---|---|---|
| Name | Public Limited Liability Company **„Grigiškės"** | Private Limited Liability Company **„Baltwood"** | Private Limited Liability Company **„Ekotara"** | Private Limited Liability Company **„Grigiškių Transporto Centras"** |
| Company's ID number | 110012450 | 126199731 | 302329061 | 300015674 |
| Authorised capital | 60.000.000 Lt | 9.950.000 Lt | 10.000 Lt | 100.000 Lt |
| Address | Vilniaus str. 10, Grigiškės, Vilnius | Vilniaus str. 10, Grigiškės, Vilnius | Vilniaus str. 10, Grigiškės, Vilnius | Vilniaus str. 10, Grigiškės, Vilnius |
| Phone | (8~5) 243 58 01 | (8~5) 243 59 45 | (8~5) 243 58 01 | (8~5) 243 58 01 |
| Fax | (8~5) 243 58 02 | (8~5) 243 58 98 | (8~5) 243 58 02 | (8~5) 243 58 02 |
| E-mail | info@grigiskes.lt | info@baltwood.lt | info@grigiskes.lt | info@gtc.lt |
| Internet address | www.grigiskes.lt | www.baltwood.lt | www.ekotara.lt | - |
| Legal form | Public Limited Liability Company | Private Limited Liability Company | Private Limited Liability Company | Private Limited Liability Company |
| Date of registration | 23 May, 1991 | 10 April, 2003 | 10 April, 2009 | 6 April, 2004 |
| Administrator of the register | State Enterprise Centre of Registers | State Enterprise Centre of Registers | State Enterprise Centre of Registers | State Enterprise Centre of Registers |

## 4. NATURE OF CORE ACTIVITIES OF THE GROUP COMPANIES

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

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

## 5. CONTRACTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES AND CREDIT INSTITUTIONS

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

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

## 6. AUTHORISED CAPITAL OF THE ISSUER

*6.1. The authorized capital registered at the Register of Legal Persons*

6.1.1. Table. Structure of the authorized capital

| Type of shares | Number of shares. | Par value, LTL | Total par value, LTL | Interest in the authorised capital, % |
|---|---|---|---|---|
| Ordinary registered shares | 60.000.000 | 1 | 60.000.000 | 100,00 |

All shares of the Issuer are fully paid up.

*6.2. Information on the prospective increase of the authorized capital by converting issued debt securities or derivative securities into shares*

The issuer has not issued any debt securities or derivative securities to be converted into shares.

*6.3. Rights and obligations conferred by the shares*

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

1) to receive a part of the Company's profit - dividend;
2) to receive the Company’s funds when the authorized capital of the Company is being reduced with a view to paying out the Company’s funds to the shareholders;
3) to receive shares without payment if the authorized capital is increased out of the Company funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
4) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the general meeting decides to withdraw the pre-emption right in acquiring the Company’s newly issued shares or convertible debentures for all the shareholders in the manner prescribed by Law on Companies of the Republic of Lithuania;
5) to lend to the Company in the manner prescribed by laws of the Republic of Lithuania; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from negotiating a higher interest rate;
6) to receive a part of assets of the Company in liquidation;
7) to bequeath all or a part of the shares to the ownership of the other people;
8) to transfer all or part of the shares to ownership of other people;
9) to attend the general meetings of shareholders;
10) to vote at general meetings of the shareholders according to voting rights carried by their shares (each fully paid share of the nominal value of 1 (one) litas gives its holder one vote at the general meeting);
11) to receive information on the Company according to the procedure laid down in the laws of the Republic of Lithuania and the Articles of Association of the Company;
12) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company manager and Board members of their obligations prescribed by the Law on Companies and other laws of the Republic of Lithuania and the Articles of Association of the Company as well as in other cases laid down by laws of the Republic of Lithuania;

13) to authorize a person to vote on his/her behalf at the general meeting of the shareholders;
14) to exercise other property and non-property rights provided by laws of the Republic of Lithuania.

## 7. SHAREHOLDERS

*7.1. Number of shareholders of the Company*

On 30 June 2009 there were 2.450 shareholders of Grigiškės, AB.

*7.2. Main shareholders owning in excess of 5 per cent of the authorised capital of the Issuer*

7.2. table. Shareholders owning in excess of 5 per cent of the authorised capital of the Issuer as of 30 June 2009

| Shareholder's name (company's name, type, headquarters address, corporate ID number) | 30 June 2008 | | | 31 December 2008 | | |
|---|---|---|---|---|---|---|
| | Number of ordinary registered shares owned by the shareholder | Interest in the authorised capital, % | Votes granted by shares held by the right of ownership, % | Number of ordinary registered shares owned by the shareholder | Interest in the authorised capital, % | Votes granted by shares held by the right of ownership, % |
| UAB „Ginvildos investicija" Turniškių g. 10a-2, Vilnius 125436533 | 29.716.228 | 49,53 | 49,53 | 28.775.979 | 47,96 | 47,96 |
| ROSEMOUNT HOLDING LLC 3533 Fairview Industrial Drive SE, Salem, OR 97302, United States of America | 5.639.967 | 9,40 | 9,40 | 5.639.967 | 9,40 | 9,40 |
| DAILIUS JUOZAPAS MIŠEIKIS | 5.997.932 | 10,00 | 10,00 | 4.672.432 | 7,79 | 7,79 |

*7.3. Shareholders holding special controlling rights*

There are no shareholders holding special controlling rights.

*7.4. Restrictions of the voting rights*

There are no restrictions of the voting rights.

*7.5. Agreements between/among the shareholders*

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

## 8. INFORMATION ON TRADING WITH ISSUER'S SECURITIES ON THE REGULATED MARKETS

Registered ordinary shares of Grigiškės, AB are listed on the secondary lists of NASDAQ OMX VILNIUS (ticker – GRG1L).

*8.1. Key characteristics of the shares of the Company*

8.1. table. Key characteristics of the shares of the Company

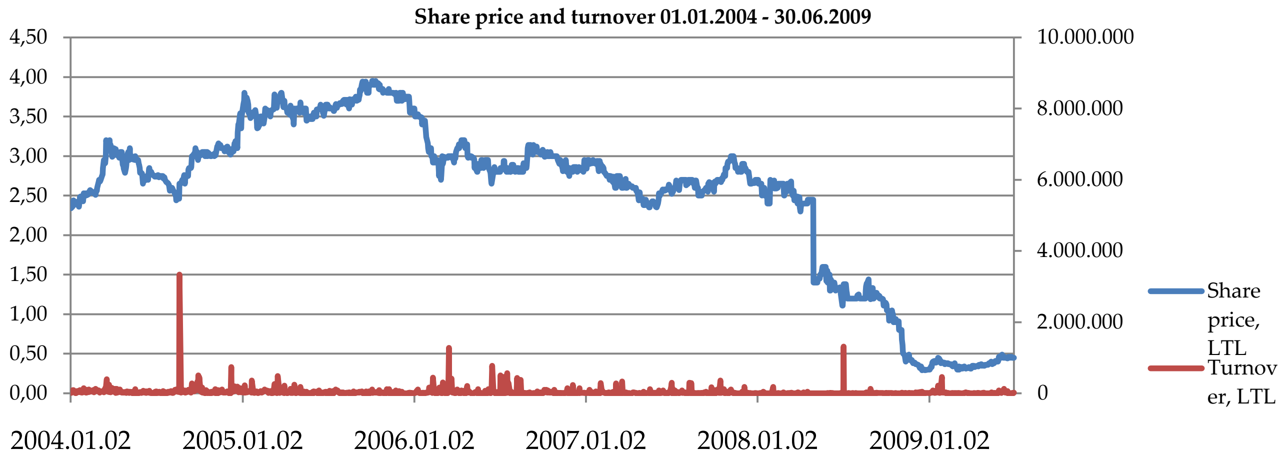
| Type of shares | Securities ISIN code | Number of shares | Par value, LTL | Total par value, LTL |
|---|---|---|---|---|
| Registered ordinary shares | LT0000102030 | 60.000.000 | 1 | 60.000.000 |

The company made a capitalization issue in accordance with a decision of the General Shareholders' Meeting of 25 April 2008. The authorized share capital was increased form 39. 956.657 LTL to 60.000.000 LTL by issuing 20.043.343 ordinary shares of 1 LTL par value each.

*8.2. Share trading information*

8.2. table. Share trading information

| Reported period | Price, LTL | | | Turnover, LTL | | | Total turnover | |
|---|---|---|---|---|---|---|---|---|
| | Max. | Min. | Last session | Max. | Min. | Last session | Units | LTL |
| 2008, I Q | 2,70 | 2,40 | 2,48 | 183.621 | 0 | 0 | 167.207 | 431.407 |
| 2008, II Q | 2,45 | 1,11 | 1,11 | 45.478 | 0 | 5.910 | 96.273 | 174.179 |
| 2008, III Q | 1,44 | 1,11 | 1,14 | 1.311.782 | 0 | 4.812 | 1.325.360 | 1.700.485 |
| 2008, IV Q | 1,14 | 0,29 | 0,30 | 42.459 | 0 | 6.593 | 884.565 | 378.011 |
| **2008** | **2,70** | **0,29** | **0,30** | **1.311.782** | **0** | **6.593** | **2.473.405** | **2.684.081** |
| 2009, I Q | 0,45 | 0,30 | 0,31 | 458.897 | 0 | 0 | 4.465.664 | 1.751.743 |
| 2009, I Q | 0,49 | 0,33 | 0,45 | 122.162 | 0 | 20.205 | 2.033.965 | 873.993 |




7.2.1. Fig. Share price and turnover 1 January 2004 – 30 June 2009

Grigiškės, AB share price declined in May because of annual general meeting decision to increase authorised capital to 60.000.000 LTL (registered in May 2008). Annual general meeting decided to issue 20 043 343 ordinary registered shares of the nominal value of 1 (one) litas and to give the newly issued ordinary registered shares of the nominal value of 1 (one) litas to the shareholders for free.

*8.3. Capitalisation of the Company’s shares*

8.3. table. Capitalisation of the Company’s shares

| Last session date | Capitalisation, LTL |
|---|---|
| **28.12.2007** | **107.882.974** |
| 31.03.2008 | 99.092.509 |
| 30.06.2008 | 66.600.000 |
| 30.09.2008 | 68.400.000 |
| **31.12.2008** | **18.000.000** |
| 31.03.2009 | 18.600.000 |
| 30.06.2009 | 27.000.000 |

*8.4. Issuer‘s share trading on other stock exchanges and regulated markets*

The Company’s shares are not traded on other stock exchanges and regulated markets.

*8.5. Own shares buy out*

The Company has not bought out own shares.

*8.6. Restrictions on shares transfer.*

There are no restrictions on shares transfer.

*8.7. Official take over bid*

Official take over bid for the Company‘s shares has not been declared. The Company also has not declared official take over bid for shares of other companies.

**9. EMPLOYEES**

During the thirst half of 2009 the number of the Group employees decreased gradualy due to natural fluctation: relocation, retirement, etc. Significant decrease of volume of production orders caused by complicated economic situation also was one of the reasons for number of employees to decrease. Demand of new employees also decreased because of the optimization of manufacturing units work and aslo due to successfuly introduced progresive technologies in 2008, that capacitated to reach large volume of production with less employees.

9.1. table. Average number of listed employees of the Group

| | I half of 2009 | 2008 year |
|---|---|---|
| Number of employees | 614 | 694 |

9.2. table. Average number of listed employees of the Company

| | I half of 2009 | 2008 year |
|---|---|---|
| Number of employees | 540 | 602 |

9.3. table. Number of employees of the Group, average salary and grouping of employees by education in the thirst half of 2009.

| Employees | Average salary | Grouping of employees by education | | | | |
|---|---|---|---|---|---|---|
| | | University | College | Secondary | Basic | Elementary |
| Workpeople | 1.606 | 14 | 79 | 309 | 78 | 4 |
| Managers | 5.094 | 41 | 9 | - | - | - |
| Specialists | 2.860 | 61 | 19 | - | - | - |
| **Total** | **2.072** | **116** | **107** | **309** | **78** | **4** |

9.4. table. Number of employees of the Company, average salary and grouping of employees by education in the thirst half of 2009.

| Employees | Average salary | Grouping of employees by education | | | | |
|---|---|---|---|---|---|---|
| | | University | College | Secondary | Basic | Elementary |
| Workpeople | 1.693 | 14 | 78 | 259 | 69 | 4 |
| Managers | 5.027 | 40 | 9 | - | - | - |
| Specialists | 2.927 | 51 | 16 | - | - | - |
| **Total** | 2.224 | 105 | 103 | 259 | 69 | 4 |

## 10. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE ISSUER

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

## 11. INFORMATION ON THE MANAGING BODIES OF THE ISSUER

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

The supervisory council is comprised of 5 members. The members to the supervisory council are elected by the general meeting of shareholders for a period of 4 years. The supervisory council elects and revokes the members of the board. The board of the Company consists of 5 members.

The board of the Company elects and revokes the head of the Company, fixes his salary, approves his job description, awards bonuses to and imposes penalties on the head of the Company.

*11.1. Members of the managing bodies*

11.1.1. table. Members of the supervisory council, board and administration, and their capital share and votes

| Full names | Positions | Capital share and votes, % |
|---|---|---|
| SUPERVISORY COUNCIL | | |
| Norimantas Stankevičius | Chairman | - |
| Algimantas Goberis | Member | - |
| Valdas Urbonas | Member | - |
| Romualdas Juškevičius | Member | - |
| Tautvilas Adamonis | Member | - |
| BOARD | | |
| Gintautas Pangonis | Chairman | 0,22 |
| Nina Šilerienė | Member | 0,07 |

| Full names | Positions | Capital share and votes, % |
|---|---|---|
| Audris Vilčinskas | Member | - |
| Normantas Paliokas | Member | - |
| Vigmantas Kažukauskas | Member | 0,91 |
| ADMINISTRATION | | |
| Gintautas Pangonis | Director General | 0,22 |
| Nina Šilerienė | Director of Finance Department | 0,07 |
| Vigmantas Kažukauskas | Temporary Head of Personnel Department | 0,91 |

*11.2. Information of the Chairman of the Board, Head of Administration and Director of Finance Department*

**Gintautas Pangonis** – Chairman of the Board, director general. Education – university degree. Profession – multichannel telecommunication engineer. Workplaces during the last 10 years:

| Employers | Positions |
|---|---|
| Lietuvos telekomas, AB (current name TEO LT, AB) | Director general, chairman of the board |
| Lietuvos telekomas, AB (current name TEO LT, AB) | Executive vice president |
| Bitė GSM, UAB (current name Bite Lietuva, UAB) | Director general, chairman of the board |
| Grigiškės, AB | Director general, chairman of the board |

**Nina Šilerienė** – Director of Finance Department. Education – university degree. Profession – economist for accounting, control and analysis of economic activities. Workplaces during the last 10 years:

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

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

11.3.1. table. Participation of the members of the supervisory council, board and administration in the activities of other enterprises, agencies and organisations

| Name | Business participation | | Capital interest | |
|---|---|---|---|---|
| | Name of enterprise, agency and organisation | Positions | Name of enterprise, agency and organisation | Capital share and votes, % |
| Norimantas Stankevičius | Didma, UAB | Director | Didma, UAB | 51,00 |
| | | | Naras, UAB | 62,48 |
| | | | Ginvildos investicija, UAB | 21,0 |
| | Grigiškių transporto centras, UAB | Member of the board | | |
| | Baltwood, UAB | Member of the board | | |
| | Grigiškės, AB | Chairman of the supervisory council | | |
| Tautvilas Adamonis | Remada, UAB | Director | Remada, UAB | 100,0 |
| | Grigiškės, AB | Member of the supervisory council | | |

| Name | Business participation | | Capital interest | |
|---|---|---|---|---|
| | Name of enterprise, agency and organisation | Positions | Name of enterprise, agency and organisation | Capital share and votes, % |
| Gintautas Pangonis | | | Ginvildos investicija, UAB | 79,0 |
| | Grigiškės, AB | Director General | Grigiškės, AB | 0,22 |
| | Grigiškės, AB | Chairman of the board | | |
| | Grigiškių transporto centras, UAB | Chairman of the board | | |
| | Baltwood, UAB | Chairman of the board | | |
| | Ekotara, UAB | Chairman of the board | | |
| Normantas Paliokas | Didma, UAB | Head of Vilnius Representative Office | | |
| | Ginvildos investicija, UAB | Director | | |
| | Baltwood, UAB | Member of the board | | |
| | Grigiškės, UAB | Member of the board | | |
| Vigmantas Kažukauskas | Grigiškės, AB | Head of Personal at interim | Grigiškės, AB | 0,91 |
| | Grigiškės, AB | Member of the board | | |
| | Grigiškių transporto centras, UAB | Member of the board | | |
| | Ekotara, UAB | Member of the board | | |
| Audris Vilčinskas | Grigiškės, AB | Member of the board | | |
| Nina Šilerienė | Grigiškės, AB | Director of Finance Department | Grigiškės, AB | 0,07 |
| | Grigiškės, AB | Member of the board | | |
| | Baltwood, UAB | Member of the board | | |
| | Ekotara, UAB | Member of the board | | |

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

The Supervisory Council of Grigiškės, AB was elected on 11 December 2007 for a 4 years' period (ending in 2011). The Board of the Company was elected on 11 December 2007 for a 4 years' period (ending in 2011).

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

11.5.1. table. Information on the salaries, tantiemmes and other payments from profit paid by the Issuer within the reported period.

| | Salaries LTL | Tantiemme LTL | Dividends LTL | Other payments LTL |
|---|---|---|---|---|
| Totally for all members of the | - | - | - | - |
| In average per one member of the supervisory council | - | - | - | - |
| Totally for all members of the board | - | - | - | - |
| In average per one member of the board | - | - | - | - |
| Totally for all members of the | 214.138 | - | - | - |
| In average per one member of the administration | 71.379 | - | - | - |

*11.6. Ssalaries, tantiemmes and other payments payed during reported period to the members of the Supervisory Council, Board and Administration of the Issuer from profit of companies where the share of the Issuer in the authorised capital exceeds 20 per cent*

None.

*11.7. Loans, guarantees and warranties granted to the members of the Issuer managing bodies to secure fulfilment of their obligations*

None.

## 12. INFORMATION ABOUT COMPLIANCE WITH GOVERNANCE CODE

Grigiškės, AB follows a Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange adopted on August 21, 2006. Information presented in the Annual Report for 2008 has not undergone any changes

## 13. REVIEW OF ACTYVITY OF THE GROUP COMPANIES

*13.1. Material events in the Issuer's activities*

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

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

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

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

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

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

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

The Grigiškės, AB General Meeting was held on 21 04 2009. Resolutions of the meeting:

1. Stated, that the annual report for the year 2008 was heard;
2. Stated, that the Auditor’s report for the year 2008 was heard;
3. Decides to approve the Company’s financial statements for the year 2008;
4. Decides to approve the appropriation of Company’s profit (loss) for the year 2008.
5. Decides to recall an audit company “KPMG Baltics”, UAB elected for the financial year 2007-2008 by General Meeting on 20th of April 2007.
6. Decides to confirm the decission of the Board by which an audit company „Tezaurus auditas“, UAB (code 122740926) was elected for the financial year 2008 and a sum payable for the audit services 37 500 LTL (plus VAT) was fixed.
7. Decides to elect an audit company “Tezaurus auditas”, UAB (code 122740926) for the financial year 2009 and fixes a sum payable for the audit services 33 750 LTL (plus VAT).

**June** JSC Grigiskes has allotted a tender to receive a Cohesion fund grant for the heat generation equipment modernize project value of which is 19.1 million Litas. With the EU grant Company plans to obtain a 15 MW wood fuel steam boiler. It is supposed that the new steam boiler will produce 83 thousand MWh of heat energy per year. The objectives of the project are to provide energy more defensively and to reduce business risks. Following the recommendations of Ministry of Economy JSC Grigiskes received the approbation from National Control Commission for Prices and Energy for the project.

On 25 June 2009 „Grigiskes“, AB has signed a contract with an audit company “Tezaurus auditas”, UAB to carry out an audit of JSC Grigiškės financial statements and consolidated financial statements for year will be ended on 31 december 2009. A sum payable for the audit services - 33750 litas excluding VAT.

The Board meeting on 25 June 2009 approved a corrected budget for the year 2009. This year the Group which consists of JSC Grigiskes and daughter enterprise Baltwood LTD plans to reach a turnover of LTL 112.8 mln. (EUR 32.7 mln.), comparing with the 2008 year the sales will decline by LTL 32.7 mln. (EUR 9.5 mln.). In 2009 the Group plans to earn a profit before taxes of LTL 0.8 mln. (EUR 0.23 mln.). Planed results for the year 2009 are corrected after not audited financial results of the thirst quarter of the year 2009, the trends of Group sales and the reduction of consumption in Lithuanian and foreign markets were evaluated.

*13.2. Newest events in the Issuer’s activities*

AB “Grigiškės“ is going to implement the Project „The modernisation of the heat sector through the greater use of renewable energy resources“ in order to increase competitiveness of production and the use of waste of the manufacturing process for the production of energy. During the implementation of the Project the new steam-boiler with the heating power of 15-18 MW using bio fuel is intended to be installed. The heat produced by the new steam-boiler will replace the heat produced by the existing natural gas steam-boilers. It is planned that the new bio fuel steam-boiler will produce about 55 percent of heat (in the form of steam) needed for the technological processes in the company.

In 2008 AB „Grigiškės" had provided Lithuanian Business support Agency with an application in order to receive financial assistance for the implementation of the Project. The support of up to 9 445 284 litas from the European Structural Funds and the budget of Lithuanian Republic for the implementation of the Project was granted by the order No. 4-346 of the minister of economy of the Republic of Lithuania enacted on the 10th of July, 2009. The total value of the Project is about 19.1 million Lt.

Over the six months this year the Group which consists of JSC Grigiškės and daughter enterprise Baltwood LTD reached a turnover of LTL 58.0 million (EUR 16.8 million) which is by LTL 19.1 million or 24.7 % less comparing with the same period of 2008, when the Group's turnover outmeasured LTL 77,1 million (EUR 22.3 million).

Over the six months of 2009 the Group earned not audited profit before taxes of LTL 0.84 million (EUR 0.24 million). Over the same period of 2008 the Group reached a loss of LTL 0.13 million (EUR 0.04 million).

### *13.3. Offices and branches*

The Company has an office in Latvia (since 2006). No new offices or branches are planned to open in 2009 year.

### *13.4. Risk factors*

Information about financial risk management is provided in notes of 2008 annual audited consolidated statements. There are no material changes in financial risk management in during the thirst half of 2009 year.

### *13.5. Suppliers*

13.5.1 table. Countries of suppliers' of main raw materials and materials for the Company

| **Supplier's country** | **2008** | **I half of 2009** |
|---|---|---|
| | **%** | **%** |
| Lithuania | 73 | 77 |
| Sweden | 1 | 0 |
| Poland | 5 | 4 |
| Estonia | 8 | 14 |
| Latvia | 2 | 1 |
| Finland | 1 | 0 |
| Austria | 6 | 1 |
| Other countries | 4 | 3 |
| **TOTAL** | **100** | **100** |

Main suppliers of energy resources are Lithuanian companies.

*13.6. Sales and markets*

3.1.1.1. table. Group's sold produce

| Produce | I half of 2008 | | I half of 2009 | |
|---|---|---|---|---|
| | thousand litas | % | thousand litas | % |
| Hardboard | 34.071,3 | 44,2 | 17.755,0 | 30,6 |
| Paper and paper products | 31.433,4 | 40,8 | 30.771,2 | 53,1 |
| Wood processing | 7.504,8 | 9,7 | 4.447,3 | 7,7 |
| Other sales | 4.091,7 | 5,3 | 5.003,3 | 8,6 |
| **TOTAL** | **77.101,1** | **100,0** | **57.976,8** | **100,0** |

3.1.1.2. table. Company's sold produce

| Produce | I half of 2008 | | I half of 2009 | |
|---|---|---|---|---|
| | thousand litas | % | thousand litas | % |
| Hardboard | 35.072,7 | 48,4 | 17.854,3 | 32,9 |
| Paper and paper products | 31.435,8 | 43,4 | 30.778,9 | 56,8 |
| Other sales | 5.939,1 | 8,2 | 5.599,5 | 10,3 |
| **TOTAL** | **72.447,6** | **100,0** | **54.232,7** | **100,0** |

13.6. table. Company's countries of sales

| Country | I half of 2008 | | I half of 2009 | |
|---|---|---|---|---|
| | thousand litas | % | thousand litas | % |
| United Kingdom | 260 | 0,4 | 748 | 1,4 |
| Belarus | 523 | 0,7 | 286 | 0,5 |
| Chez Republic | 2.115 | 2,9 | 525 | 1,0 |
| Denmark | 1.028 | 1,4 | 1.028 | 1,9 |
| Estonia | 3.753 | 5,2 | 1.808 | 3,3 |
| USA | 117 | 0,2 | 117 | 0,2 |
| Latvia | 4.490 | 6,2 | 4.505 | 8,3 |
| Poland | 6.782 | 9,4 | 2.736 | 5,0 |
| Lithuania | 43.032 | 59,4 | 33.113 | 61,1 |
| The Netherlands | 1.402 | 1,9 | 1.281 | 2,4 |
| Norway | 619 | 0,9 | 786 | 1,4 |
| Finland | 1.226 | 1,7 | 1.269 | 2,3 |
| Sweden | 6.120 | 8,4 | 4.161 | 7,7 |
| Germany | 523 | 0,7 | 286 | 0,5 |
| Other countries | 458 | 0,6 | 1.583 | 2,9 |
| **Total** | **72.448** | **100,0** | **54.233** | **100,0** |

*13.7. Strategy of the activity and plans for the close future*

The Board meeting on 25 June 2009 approved a corrected budget for the year 2009. This year the Group which consists of Grigiskes, AB and daughter enterprise Baltwood, UAB plans to reach a turnover of LTL 112.8 mln. (EUR 32.7 mln.), comparing with the 2008 year the sales will decline by LTL 32.7 mln. (EUR 9.5 mln.). In 2009 the Group plans to earn a profit before taxes of LTL 0.8 mln. (EUR 0.23 mln.).

With the EU grant Company plans to obtain a 15-18 MW wood fuel steam boiler. The objectives of this project are to provide energy more defensively and to reduce business risks.

*13.8. Financial indicators*

| Financial ratios | I half of 2007, not audited | | I half of 2008, not audited | | I half of 2009, not audited | |
|---|---|---|---|---|---|---|
| | Group | Company | Group | Company | Group | Company |
| EBITDA | 8.949.741 | 8.582.393 | 7.407.302 | 7.311.543 | 10.545.308 | 10.236.684 |
| EBITDA profitability | 13,3% | 13,6% | 9,6% | 10,1% | 18,2% | 18,9% |
| Gross margin | 17,8% | 18,6% | 13,1% | 13,5% | 15,4% | 15,8% |
| Operating margin | 5,1% | 6,1% | 1,5% | 2,5% | 3,6% | 4,6% |
| Net margin | 3,0% | 4,2% | -0,2% | 1,0% | 1,0% | 2,1% |
| ROE, % | 3,0% | 3,9% | -0,2% | 1,1% | 0,9% | 1,7% |
| ROA, % | 1,6% | 2,3% | -0,1% | 0,6% | 0,4% | 0,9% |
| Current ratio | 0,91 | 1,16 | 0,93 | 1,14 | 0,89 | 1,15 |
| Quick ratio | 0,52 | 0,74 | 0,52 | 0,70 | 0,54 | 0,78 |
| Cash to current liabilities | 0,013 | 0,013 | 0,005 | 0,004 | 0,023 | 0,029 |
| P/E | 51,58 | 39,66 | -409,94 | 87,89 | 48,62 | 24,07 |
| Earnings per share | 0,034 | 0,044 | -0,003 | 0,013 | 0,009 | 0,019 |
| Debt to equity ration | 0,84 | 0,68 | 0,97 | 0,82 | 1,03 | 0,90 |
| Debt to total assets ratio | 0,46 | 0,40 | 0,49 | 0,45 | 0,51 | 0,47 |

There is more information about Company's activity and financial results in the financial report below.

*13.9. Related party transactions*

All transactions with related persons were carried out at market prices
Baltwood, UAB – subsidiary of Grigiškės, AB.
Ginvildos Investicija, UAB – major shareholders of Grigiškės, AB.
Didma, UAB, Remada, UAB and Naras, UAB – companies related to the managing officers of the group.
Ekotara, UAB – subsidiary of the group not subject to consolidation.
Grigiškių transporto centras, UAB – subsidiary of the group not subject to consolidation.

3.2.1. table. Group's transactions with related persons during I half of 2009. Balances of amounts receivable/payable in relation thereto on 30 June 2009 (LTL)

| | Sales of goods and services | Acquisition of goods and services | Receivable from related persons | Amounts payable to related persons |
|---|---|---|---|---|
| Ginvildos Investicija, UAB | 199 | 73.400 | 79 | 39.593 |
| Didma, UAB | 105.435 | 101.197 | 76.186 | |
| Remada, UAB | 873 | | 5.228 | |
| Naras, UAB | 21.861 | | 23.141 | |
| Ekotara, UAB | | | | |
| Grigiškių transporto centras, UAB | | | | |
| **Total** | **128.368** | **174.597** | **104.634** | **39.593** |

3.2.2. table. Company's transactions with related persons during I half of 2009. Balances of amounts receivable/payable in relation thereto on 30 June 2009 (LTL)

| | Sales of goods and services | Acquisition of goods and services | Receivable from related persons | Amounts payable to related persons |
|---|---|---|---|---|
| Baltwood, UAB | 806.764 | 501.577 | 4.412.481 | |
| Ginvildos Investicija, UAB | 199 | 73.400 | 79 | 39.593 |
| Didma, UAB | 1.696 | 97.674 | 287 | |
| Remada, UAB | 873 | | 5.228 | |
| Naras, UAB | 31.838 | | 4.647 | |
| Ekotara, UAB | | | | |
| Grigiškių transporto centras, UAB | | | | |
| **Total** | **841.370** | **672.651** | **4.422.722** | **39.593** |

## 14. FINANCIAL INFORMATION

*14.1. Balance sheet*

LTL

| | Notes | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 30.06.2009 | 31.12.2008 | 30.06.2009 | 31.12.2008 |
| **ASSETS** | | | | | |
| **Non-current assets:** | | | | | |
| Property, plant and equipment | 14.7. | 101.446.390 | 104.095.502 | 91.962.574 | 93.977.574 |
| Intangible assets | 14.8. | 2.379.402 | 2.461.616 | 134.787 | 203.549 |
| Investments in associated companies | | | | | |
| Investments in subsidiary | | 10.000 | | 5.015.000 | 5.005.000 |
| Loans granted | | | | | |
| Other accounts receivables | | | | | |
| **TOTAL NON CURRENT ASSETS** | | **103.835.792** | **106.557.118** | **97.112.361** | **99.186.123** |
| **CURRENT ASSETS:** | | | | | |
| Cash and cash equivalents | 14.10 | 781.607 | 130.026 | 770.022 | 113.472 |
| Loans granted | | | | | |
| Trade and other accounts receivables | 14.9. | 17.009.886 | 18.770.638 | 19.763.834 | 21.058.324 |
| Inventories | 14.11 | 11.767.829 | 14.826.904 | 9.989.135 | 12.558.106 |
| Other assets | | 492.916 | 408.583 | 431.419 | 383.625 |
| **TOTAL CURRENT ASSETS** | | **30.052.238** | **34.136.151** | **30.954.410** | **34.113.527** |
| **TOTAL ASSETS** | | **133.888.030** | **140.693.269** | **128.066.771** | **133.299.650** |
| **EQUITY AND LIABILITIES** | | | | | |
| **CAPITAL AND RESERVES:** | | | | | |
| Share capital | 14.12 | 60.000.000 | 60.000.000 | 60.000.000 | 60.000.000 |
| Legal reserve | | 3.995.665 | 3.995.665 | 3.995.665 | 3.995.665 |
| Retained earnings | | 1.573.302 | 1.017.966 | 3.133.108 | 2.011.604 |
| Unused emission rights’ reappraisal reserve | | | | | |
| **TOTAL EQUITY** | | **65.568.967** | **65.013.631** | **67.128.773** | **66.007.269** |
| **GRANTS** | | **506.306** | **318.641** | **506.306** | **318.641** |
| **NON-CURRENT LIABILITIES:** | | | | | |
| Bank loans and mortgages | 14.13 | 17.397.963 | 15.397.963 | 17.397.963 | 15.397.963 |
| Obligations under finance leases | | 15.962.281 | 12.593.549 | 15.615.847 | 12.247.115 |
| Deferred tax liability | | 604.235 | 359.801 | 604.235 | 359.801 |
| Other accounts payable | | | | | |
| **TOTAL NON-CURRENT LIABILITIES** | | **33.964.479** | **28.351.313** | **33.618.045** | **28.004.879** |
| **CURRENT LIABILITIES:** | | | | | |
| Bank loans and mortgages | 14.13 | 17.375.936 | 17.633.628 | 11.858.079 | 11.628.424 |
| Obligations under finance leases | | 2.259.133 | 7.653.001 | 2.125.683 | 7.321.274 |
| Delay for unused emission rights | | | | | |
| Factoring | | | 4.212.348 | | 3.704.821 |
| Received prepayment | | | | | |
| Trade and other accounts payable | 14.14 | 14.213.209 | 17.510.707 | 12.829.885 | 16.314.342 |
| **TOTAL CURRENT LIABILITIES** | | **33.848.278** | **47.009.684** | **26.813.647** | **38.968.861** |
| **TOTAL EQUITY AND LIABILITIES** | | **133.888.030** | **140.693.269** | **128.066.771** | **133.299.650** |

## *14.2. Income (loss) statement*

LTL

| | notes | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | January – June 2009 | January – June 2008 | April – June 2009 | April – June 2008 | January – June 2009 | January – June 2008 | April – June 2009 | April – June 2008 |
| Sales | | 57.976.782 | 77.101.133 | 25.780.915 | 37.859.931 | 54.232.722 | 72.447.618 | 24.086.483 | 35.016.281 |
| Cost of sales | | 49.068.708 | 67.028.331 | 21.409.597 | 33.724.164 | 45.641.991 | 62.644.611 | 19.866.615 | 30.796.024 |
| **Gross profit** | | **8.908.074** | **10.072.802** | **4.371.318** | **4.135.767** | **8.590.731** | **9.803.007** | **4.219.868** | **4.220.257** |
| Other operating income | 14.15 | 473.810 | 655.520 | 272.475 | 402.862 | 563.996 | 741.746 | 311.039 | 440.562 |
| Selling and distribution | | 3.901.681 | 3.830.360 | 1.940.040 | 2.063.696 | 3.703.418 | 3.672.687 | 1.855.504 | 1.969.754 |
| Administrative expenses | | 3.284.700 | 5.579.597 | 1.711.160 | 2.899.679 | 2.828.269 | 4.892.503 | 1.454.766 | 2.447.182 |
| Other operating expenses | 14.16 | 126.638 | 198.297 | 10.300 | 106.751 | 126.638 | 198.297 | 4.332 | 106.751 |
| **Profit from operations** | | **2.068.865** | **1.120.068** | **982.293** | **(531.497)** | **2.496.402** | **1.781.266** | **1.216.305** | **137.132** |
| Interest income | | 622 | 461 | 373 | 272 | 536 | 331 | 325 | 180 |
| Interest costs | | 1.210.862 | 1.232.517 | 550.721 | 628.287 | 1.075.422 | 974.579 | 493.361 | 508.856 |
| Net foreign exchange (loss) gain | | | | 0 | 0 | | | 0 | 0 |
| Rate of exchange influence | | (14.348) | (12.052) | (7.018) | (6.050) | (13.998) | (11.876) | (6.964) | (5.880) |
| Other finance income | | 2.119 | 25 | 2.039 | (242) | 2.119 | 25 | 2.039 | (242) |
| Other finance expenses | | 10.684 | 8.144 | 5.322 | 4.590 | 7.757 | 7.057 | 2.789 | 3.674 |
| **Profit before income tax** | | **835.712** | **(132.159)** | **421.644** | **(1.170.394)** | **1.401.880** | **788.110** | **715.555** | **(381.340)** |
| Income tax expense | | 280.376 | 30.302 | 159.377 | (70.035) | 280.376 | 30.302 | 159.377 | (70.035) |
| **NET PROFIT** | | **555.336** | **(162.461)** | **262.267** | **(1.100.359)** | **1.121.504** | **757.808** | **556.178** | **(311.305)** |
| **Basic and diluted earnings per share** | | 0,009 | (0,003) | 0,004 | (0,018) | 0,019 | 0,013 | 0,009 | (0,005) |

## 14.3. Statement of changes in owner's equity

LTL

| The Group | Notes | Share capital | Legal reserve | Other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **31 December 2007** | | **39.956.657** | **3.995.665** | **0** | **26.973.359** | **70.925.681** |
| Transfer to legal reserve | | | | | | |
| Increase of authorized | | 20.043.343 | | | (20.043.343) | |
| Dividends paid | | | | | (2.000.000) | (2.000.000) |
| Net profit | | | | | (162.461) | (162.461) |
| **30 June 2008** | | **60.000.000** | **3.995.665** | **0** | **4.767.555** | **68.763.220** |
| Transfer to legal reserve | | | | | | |
| Dividends paid | | | | | | |
| Net profit | | | | | (3.749.589) | (3.749.589) |
| **31 December 2008** | | **60.000.000** | **3.995.665** | **0** | **1.017.966** | **65.013.631** |
| Transfer to legal reserve | | | | | | |
| Dividends paid | | | | | | |
| Net profit | | | | | 555.336 | 555.336 |
| **30 June 2009** | **14.12** | **60.000.000** | **3.995.665** | **0** | **1.573.302** | **65.568.967** |

LTL

| The Company | Notes | Share capital | Legal reserve | Other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **31 December 2007** | | **39.956.657** | **3.995.665** | **0** | **26.543.644** | **70.495.966** |
| Transfer to legal reserve | | | | | | |
| Increase of authorized | | 20.043.343 | | | (20.043.343) | |
| Dividends paid | | | | | (2.000.000) | (2.000.000) |
| Net profit | | | | | 757.808 | 757.808 |
| **30 June 2008** | | **60.000.000** | **3.995.665** | **0** | **5.258.109** | **69.253.774** |
| Transfer to legal reserve | | | | | | |
| Dividends paid | | | | | | |
| Net profit | | | | | (3.246.505) | (3.246.505) |
| **31 December 2008** | | **60.000.000** | **3.995.665** | **0** | **2.011.604** | **66.007.269** |
| Transfer to legal reserve | | | | | | |
| Dividends paid | | | | | | |
| Net profit | | | | | 1.121.504 | 1.121.504 |
| **30 June 2009** | **14.12** | **60.000.000** | **3.995.665** | **0** | **3.133.108** | **67.128.773** |

## 14.4. Cash flow statement

LTL

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.06.2009 | 30.06.2008 | 30.06.2009 | 30.06.2008 |
| **OPERATING ACTIVITIES** | | | | |
| Profit before income tax | 835.712 | (132.159) | 1.401.880 | 788.110 |
| Adjustments for: | | | | |
| Depreciation and amortization | 8.476.443 | 6.287.234 | 7.740.282 | 5.530.277 |
| Release of negative goodwill to income | | | | |
| Share of loss of associates | | | | |
| Interest income | (622) | (461) | (536) | (331) |
| Interest expenses | 1.210.862 | 1.232.517 | 1.075.422 | 974.579 |
| Net foreign exchange loss (gain) | 14.348 | 12.052 | 13.998 | 11.876 |
| Profit on disposal of fixed assets | (14.720) | (2.517) | (14.720) | (2.618) |
| Profit on disposal of emission rights | | | | |
| Provisions (reversal) for slow moving inventory, write off to net realisable value and low value inventory | | | | |
| Decrease of investment into daughter enterprise (increase) | (10.000) | | (10.000) | |
| Provision for doubtful accounts receivable (reversal), write off of bad accounts receivables | 74.856 | (917.358) | 74.856 | (890.360) |
| **TOTAL** | **10.586.879** | **6.479.308** | **10.281.182** | **6.411.533** |
| Changes in current assets and liabilities: | | | | |
| (Increase) decrease in other assets | (84.333) | 226.087 | (47.794) | 169.760 |
| (Increase) decrease in prepayments | | | | |
| Decrease (increase) in trade and other accounts receivables | 2.323.168 | (569.571) | 1.856.906 | (699.017) |
| Decrease (increase) in inventories | 3.105.157 | (1.389.250) | 2.615.053 | (2.314.080) |
| Increase (decrease) in trade and other accounts payable | (7.052.950) | 1.553.076 | (6.732.033) | 1.653.263 |
| **TOTAL** | **(1.708.958)** | **(179.658)** | **(2.307.868)** | **(1.190.074)** |
| Interest paid | (1.210.383) | (1.232.517) | (1.074.942) | (974.579) |
| Income tax paid | (320.000) | (613.292) | (320.000) | (613.292) |
| **NET cash from operating activities** | **7.347.538** | **4.453.841** | **6.578.372** | **3.633.588** |
| | | | | |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of noncurrent assets and intangible assets | (2.476.520) | (6.165.209) | (2.387.923) | (6.005.488) |
| Proceeds on disposal noncurrent assets | 54.102 | 251.682 | 54.102 | 251.682 |
| Proceeds on disposal of emission rights | | | | |
| Interest received | 622 | 461 | 536 | 331 |
| Acquisition of subsidiary | | | | |
| Repayment of loans granted | | | | |
| Proceeds from long-term receivables | | | | |
| **Net cash (used in) investing activities** | **(2.421.796)** | **(5.913.066)** | **(2.333.285)** | **(5.753.475)** |
| | | | | |
| **FINANCING ACTIVITIES** | | | | |
| Dividends paid | | (2.000.000) | | (2.000.000) |
| Repayments of loans and mortgages | (2.685.842) | (2.500.619) | (2.198.495) | (1.924.118) |
| Proceeds from loans and mortgages | 4.428.150 | 7.945.581 | 4.428.150 | 7.843.181 |
| Repayment of long-term accounts payables | | | | |
| Repayments of finance lease liabilities | (6.016.469) | (2.178.688) | (5.818.192) | (1.984.679) |
| **Net cash (used in) financing activities** | **(4.274.161)** | **1.266.274** | **(3.588.537)** | **1.934.384** |
| **Net (decrease)/increase in cash** | **651.581** | **(192.951)** | **656.550** | **(185.503)** |
| | | | | |
| **CASH AND CASH EQUIVALENTS BEGINNING OF THE PERIOD** | **130.026** | **399.980** | **113.472** | **321.861** |
| **CASH AND CASH EQUIVALENTS END OF THE PERIOD** | **781.607** | **207.029** | **770.022** | **136.358** |

*14.5. Basis of preparation*

**Statement of compliance**

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

**Basis of measurement**

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

**Use of estimates and judgements**

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

*14.6. Significant accounting policies*

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

**Basis of consolidation**

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

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

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

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

**Business combinations**

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

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

**Investments in subsidiaries**

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

**Financial instruments**

***Non-derivative financial instruments***

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, trade payables and other liabilities.
Cash and cash equivalents comprise cash balances and call deposits.
Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.
Financial instruments are recognized on the day of the transaction. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group’s obligations specified in the contract expire or are discharged or cancelled.
Loans and receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted.
Loans and borrowings and other financial liabilities, including trade payables are subsequently stated at amortised cost using the effective interest rate method basis. Short-term liabilities are not discounted.
The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

***Derivative financial instruments***

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

**Noncurrent assets**

***Recognition and measurement***

Property, plant and equipment are stated at historical cost as adjusted for the indexation of certain property, plant and equipment, less accumulated depreciation and any accumulated impairment losses.
Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.
The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

***Subsequent costs***

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

***Depreciation***

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

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

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

**Intangible assets**

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

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

**Emission rights**

The EU Emission Allowance Trading Scheme was established by Directive 2003/87/EC and commenced on 1 January 2005. The first phase runs for the three-year period from 2005 to 2007; the second will run for five years from 2008 to 2012 to coincide with the first Kyoto Commitment

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

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

Member States must ensure that by 30 April of the following year at the latest, that the operator of each installation surrenders a number of allowances equal to the total emissions from that installation during the preceding calendar year.

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

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

**Leased assets**

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

*The Group as lessor*

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

*The Group as lessee*

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

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

**Inventories**

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

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

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

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

**Impairment**

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

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

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

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

***Calculation of recoverable amount***

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

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

***Reversals of impairment***

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

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

***Grants***

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

*Grants related to assets*

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

*Grants related to income*

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

**Dividends**

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

**Employee benefits**

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

**Provisions**

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

**Revenue recognition**

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

*Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:
• the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
• the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
• the amount of revenue can be measured reliably;
• it is probable that the economic benefits associated with the transaction will flow to the entity; and
• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Sales of services*

Sales of services are recognised on performance of the services.
Interest income is recognized on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

**Expenses**

***Operating lease payments***

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

***Finance lease payments***

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

***Net financing costs***

Net financing costs comprise interest expenses on borrowings calculated using the effective interest rate method, interest income on funds invested and foreign exchange gains and losses.
Interest income is recognized in the income statement as accrued, using the effective interest rate method. The interest expenses component of finance lease payments is recognized in the income statement using the effective interest rate method.

**Income tax**

Income tax consists of current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to the items recognised directly in equity, in which case it is recognised in equity.
Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.
Deferred tax assets is recognised only to the extent it is probable that the future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realised.

**Contingencies**

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

**Related parties**

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

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

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

Revised IFRS 2 Share-based Payment (effective from 1 January 2009). The revised Standard will clarifies the definition of vesting conditions and non-vesting conditions. Based on the revised Standards failure to meet non-vesting conditions will generally result in treatment as a cancellation. The revised IFRS 2 is not relevant to the Group's operations as the Group does not have any share-based compensation plans.

Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009). The scope of the revised Standard has been amended and the definition of a business has been expanded. Revised IFRS 3 is relevant to the Group. However, the Group has not yet completed its analysis of the impact of the revised Standard.

IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has not yet completed its analysis of the impact of the revised Standard.

The revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.

Revised IAS 23 Borrowing Costs (effective from 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group has not yet completed its analysis of the impact of the revised Standard.

Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The revised IAS 27 is not relevant to the Group's operations.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Group's operations as the Group has not entered into any share-based payments arrangements.

IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations as the Group has not entered into any service concession arrangements.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Group does not expect the Interpretation to have any impact on the financial statements.

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

*14.7. Noncurrent assets*

At the 30th of June 2009 Group's noncurrent assets consisted of the following, LTL

| The Group | Buildings and constructions | Machinery and Equipment | Vehicles | Other assets | Construction in progress and prepayments | Total |
|---|---|---|---|---|---|---|
| **Modified cost** | | | | | | |
| 31 December 2008 | 40.878.909 | 128.121.785 | 5.857.101 | 3.509.637 | 5.585.959 | 183.953.391 |
| Additions | | 174.334 | 33.920 | 4.914 | 5.618.732 | 5.831.900 |
| Disposals | | 889.216 | 196.069 | 105.289 | 0 | 1.190.574 |
| Transfers | | 11.198.976 | | | (11.198.976) | 0 |
| **31 June 2009** | **40.878.909** | **138.605.879** | **5.694.952** | **3.409.262** | **5.715** | **188.594.717** |
| **Accumulated depreciation and impairment** | | | | | | |
| 31 December 2008 | 15.793.229 | 58.388.887 | 3.319.637 | 2.356.136 | 0 | 79.857.889 |
| Depreciation | 537.519 | 7.213.194 | 405.993 | 237.523 | | 8.394.229 |
| Impairment loss (reversal) | | | | | | |
| Disposals | | 816.982 | 182.575 | 104.234 | | 1.103.791 |
| Transfers | | | | | | |
| **31 June 2009** | **16.330.748** | **64.785.099** | **3.543.055** | **2.489.425** | **0** | **87.148.327** |
| **Carrying amount** | | | | | | |
| **31 December 2008** | **25.085.680** | **69.732.898** | **2.537.464** | **1.153.501** | **5.585.959** | **104.095.502** |
| **31 June 2009** | **24.548.161** | **73.820.780** | **2.151.897** | **919.837** | **5.715** | **101.446.390** |

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

At the 30th of June 2009, the part of the Group's property, plant and equipment with a carrying value of 24.091.293 Litas (31 December 2008 – 22.909.012 Litas) is pledged as a security for repayment of the loans granted by banks.

At the 30th of June 2009 Company's noncurrent assets consisted of the following, LTL

| The Company | Buildings and constructions | Machinery and Equipment | Vehicles | Other assets | Construction in progress and prepayments | Total |
|---|---|---|---|---|---|---|
| **Modified cost** | | | | | | |
| 31 December 2008 | 38.923.042 | 116.001.399 | 4.414.462 | 3.347.737 | 5.580.244 | 168.266.884 |
| Additions | | 119.657 | | 4.914 | 5.618.732 | 5.743.303 |
| Disposals | | 889.216 | 196.069 | 105.289 | 0 | 1.190.574 |
| Transfers | | 11.198.976 | | | (11.198.976) | 0 |
| **31 June 2009** | **38.923.042** | **126.430.816** | **4.218.393** | **3.247.362** | **0** | **172.819.613** |
| **Accumulated depreciation and impairment** | | | | | | |
| 31 December 2008 | 15.529.978 | 54.091.698 | 2.423.282 | 2.244.352 | 0 | 74.289.310 |
| Depreciation | 511.208 | 6.591.503 | 342.486 | 226.323 | | 7.671.520 |
| Impairment loss (reversal) | | | | | | 0 |
| Disposals | | 816.982 | 182.575 | 104.234 | | 1.103.791 |
| Transfers | | | | | | 0 |
| **31 June 2009** | **16.041.186** | **59.866.219** | **2.583.193** | **2.366.441** | **0** | **80.857.039** |
| **Carrying amount** | | | | | | |
| **31 December 2008** | **23.393.064** | **61.909.701** | **1.991.180** | **1.103.385** | **5.580.244** | **93.977.574** |
| **31 June 2009** | **22.881.856** | **66.564.597** | **1.635.200** | **880.921** | **0** | **91.962.574** |

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

At the 30th of June 2009, the part of the Company's property, plant and equipment with a carrying value of 16.076.557 Litas (31 December 2008 – 14.008.119 Litas) is pledged as a security for repayment of the loans granted by banks.

### *14.8. Intangible assets*

At the 30th of June 2009 Group's intangible assets consisted of the following, LTL:

| The Group | Land lease rights | Licenses, patents | Software | Other assets and prepayments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| 31 December 2008 | 2.400.000 | 56.238 | 793.845 | 11.533 | 3.261.616 |
| Additions | | | | | |
| Disposals | | | | | |
| Reappraisal | | | | | |
| Transfers | | | | | |
| **30 June 2009** | **2.400.000** | **56.238** | **793.845** | **11.533** | **3.261.616** |
| **Accumulated amortization** | | | | | |
| 31 December 2008 | 142.222 | 40.206 | 606.041 | 11.531 | 800.000 |
| Amortization | 13.333 | 4.533 | 64.348 | 0 | 82.214 |
| Impairment loss/ (reversal) | | | | | |
| Disposals | | | | | |
| Transfers | | | | | |
| **30 June 2009** | **155.555** | **44.739** | **670.389** | **11.531** | **882.214** |
| **Carrying amount** | | | | | |
| **31 December 2008** | **2.257.778** | **16.032** | **187.804** | **2** | **2.461.616** |
| **30 June 2009** | **2.244.445** | **11.499** | **123.456** | **2** | **2.379.402** |

At the 30th of June 2009, the Group's land lease rights with a carrying value of 2,244,445 Litas (31 December 2009 – 2,257,778 Litas) are pledged as a security for repayment of the loan granted by banks.

At the 30th of June 2009, Company's intangible assets consisted of the following, LTL:

| The Company | Licenses and patents | Software | Other assets | Prepayments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| 31 December 2008 | 56.238 | 778.460 | 6.245 | 0 | 840.943 |
| Additions | | | | | |
| Disposals | | | | | |
| Reappraisal | | | | | |
| Transfers | | | | | |
| **30 June 2009** | 56.238 | 778.460 | 6.245 | 0 | 840.943 |
| **Accumulated amortization** | | | | | |
| 31 December 2008 | 40.206 | 590.944 | 6.244 | 0 | 637.394 |
| Amortization | 4.533 | 64.229 | | | 68.762 |
| Impairment loss/ (reversal) | | | | | |
| Disposals | | | | | |
| Transfers | | | | | |
| **30 June 2009** | **44.739** | **655.173** | **6.244** | **0** | **706.156** |
| **Carrying amount** | | | | | |
| **31 December 2008** | **16.032** | **187.516** | **1** | **0** | **203.549** |
| **30 June 2009** | **11.499** | **123.287** | **1** | **0** | **134.787** |

Amortization expenses have been included in administrative expenses.

*14.9. Trade and other receivables*

At the 30th of June 2009 trade and other receivables consisted of the following, LTL:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **30.06.2009** | **31.12.2008** | **30.06.2009** | **31.12.2008** |
| Trades receivable | 15.577.923 | 17.009.290 | 18.392.032 | 19.457.219 |
| Other receivable | 1.629.644 | 1.884.173 | 1.548.935 | 1.703.382 |
| | **17.207.567** | **18.893.463** | **19.940.967** | **21.160.601** |
| Less: allowance for doubtful amounts receivable | (197.681) | (122.825) | (177.133) | (102.277) |
| **Total amounts receivable within one year:** | **17.009.886** | **18.770.638** | **19.763.834** | **21.058.324** |

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

The movement for the six months of 2009 in the allowance for doubtful amounts receivable consisted of the following, LTL:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **30.06.2009** | **31.12.2008** | **30.06.2009** | **31.12.2008** |
| **At 1st of January** | **122.825** | **955.391** | **102.277** | **923.393** |
| Increase of allowance | 74.856 | 84.792 | 74.856 | 69.244 |
| Reversal of allowance | | (917.358) | | (890.360) |
| **At the end of the period** | **197.681** | **122.825** | **177.133** | **102.277** |

*2.10. Cash and cash equivalents*

At the 30th of June 2009 cash and cash equivalents consisted of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **30.06.2009** | **31.12.2008** | **30.06.2009** | **31.12.2008** |
| Cash at bank | 730.223 | 100.628 | 725.336 | 86.486 |
| Cash on hand | 51.384 | 29.398 | 44.686 | 26.986 |
| **Total** | **781.607** | **130.026** | **770.022** | **113.472** |

*2.11. Inventories*

At the 30th of June 2009 inventories consisted of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **30.06.2009** | **31.12.2008** | **30.06.2009** | **31.12.2008** |
| Materials | 2.949.934 | 3.920.928 | 2.861.586 | 3.826.432 |
| Work in progress | 3.537.532 | 4.394.147 | 2.228.868 | 2.866.955 |
| Finished goods | 5.744.350 | 7.004.843 | 5.362.668 | 6.357.733 |
| Goods in transit | | 22.053 | | 22.053 |
| | **12.231.816** | **15.341.971** | **10.453.122** | **13.073.173** |
| Less: write-down to net realizable value | (463.987) | (515.067) | (463.987) | (515.067) |
| **Total** | **11.767.829** | **14.826.904** | **9.989.135** | **12.558.106** |

At the 30th of June 2009, the Group’s and the Company’s inventory with carrying amounts of 14.000.000 Litas and 12.000.000 Litas respectively are pledged as a security for the loan granted by the bank (as at 31 December 2008 – 10.000.000 Litas and 8.000.000 Litas).

### 2.12. Share capital and legal reserve

At the 30th of June 2009 share capital consisted of LTL 60,000,000 ordinary shares at a par value of LTL 1 each. All shares were fully paid.

At the 30th of June 2009 shareholders of the Company were as follows:

| | Number of shares | Proportion of ownership, % |
|---|---|---|
| Lithuanian legal entities | 33.157.431 | 55,3 |
| Lithuanian individuals | 20.653.059 | 34,4 |
| Foreign legal entities | 6.120.736 | 10,2 |
| Foreign individuals | 68.774 | 0,1 |
| **Total** | **60.000.000** | **100,0** |

At the 30th of June 2009 shareholders of the Company (by country) were:

| | Number of shares | Proportion of ownership, % |
|---|---|---|
| Lithuania | 53.810.490 | 89,7 |
| USA | 6.008.542 | 10,0 |
| Great Britain | 14.751 | 0,0 |
| Norway | 48.052 | 0,1 |
| Estonia | 53.696 | 0,1 |
| other countries | 64.469 | 0,1 |
| **Total** | **60.000.000** | **100,0** |

The Company has one class of ordinary shares which carry no right to fixed income.

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of 5 per cent of the net profit are required until the legal reserve reach 10 per cent of the statutory capital. The appropriation is restricted to reduction of the accumulated deficit.

### 2.13. Loans and mortgages

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.06.2009 | 31.12.2008 | 30.06.2009 | 31.12.2008 |
| The loans and mortgages are repayable as | | | | |
| Within one year | 17.375.936 | 17.633.628 | 11.858.079 | 11.628.424 |
| In the second year | 5.433.523 | 4.683.524 | 5.433.523 | 4.683.524 |
| In the third to fifth years inclusive | 11.964.440 | 10.714.439 | 11.964.440 | 10.714.439 |
| | **34.773.899** | **33.031.591** | **29.256.042** | **27.026.387** |
| Less: amount due for settlement within one year | (17.375.936) | (17.633.628) | (11.858.079) | (11.628.424) |
| **Amount due for settlement after one year** | **17.397.963** | **15.397.963** | **17.397.963** | **15.397.963** |

### 2.14. Trade and other payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.06.2009 | 31.12.2008 | 30.06.2009 | 31.12.2008 |
| Trade payables | 10.262.925 | 13.590.037 | 9.323.220 | 12.829.579 |
| Taxes, salaries and social insurance payable | 2.752.502 | 2.722.379 | 2.498.521 | 2.621.071 |
| Advances paid | 120.437 | 239.309 | 105.292 | 131.201 |
| Other payables | 1.077.345 | 958.982 | 902.852 | 732.491 |
| **Total** | **14.213.209** | **17.510.707** | **12.829.885** | **16.314.342** |

*2.15. Other operating income*

| | The Group | | The Company | |
|---|---|---|---|---|
| | **01.01.2009-30.06.2009** | **01.01.2008-30.06.2008** | **01.01.2009-30.06.2009** | **01.01.2008-30.06.2008** |
| Rent income | 322.503 | 343.762 | 373.679 | 426.641 |
| Gain from disposal of fixed assets | 14.720 | 2.517 | 14.720 | 2.618 |
| The reversal of inventory written off, scrap recognition | 56.097 | 253.552 | 56.097 | 253.552 |
| Insurance compensation | 25.912 | 7.709 | 19.944 | 8.202 |
| Write off of accounts payables | 2.270 | 195 | 2.270 | 195 |
| Other income | 52.308 | 47.785 | 97.286 | 50.538 |
| **Total** | **473.810** | **655.520** | **563.996** | **741.746** |

*2.16. Other operating expenses*

| | The Group | | The Company | |
|---|---|---|---|---|
| | **01.01.2009-30.06.2009** | **01.01.2008-30.06.2008** | **01.01.2009-30.06.2009** | **01.01.2008-30.06.2008** |
| Rent expenses | 106.164 | 164.430 | 106.164 | 164.430 |
| Other expenses | 20.474 | 33.867 | 20.474 | 33.867 |
| **Total** | **126.638** | **198.297** | **126.638** | **198.297** |

*2.17. Off balance articles*

Emission rights movement for the six months of 2009

| **The Group/The Company** | **Amount Pcs.** |
|---|---|
| 31 December 2008 | (12.617) |
| Emission rights allocated | 53.356 |
| Emission rights used | (17.024) |
| Sale of emission rights | |
| **30 June 2009** | **23.715** |

*14.18. Court and arbitration proceedings*

During the six months of 2009 the Group and the Company were not involved in any legal proceedings would have a material impact on the financial statements.