

PUBLIC COMPANY "VILNIAUS BALDAI"

Interim statements for 12 months 2007

INTERMEDIATE FINANCIAL STATEMENT FOR 12 MONTHS YEAR 2007

The auditors reviewed the financial statement of 31 December 2006, statement of 31 December 2007 is unaudited.

Balance Sheet

LTL thousand

	31-12-2007	31-12 2006	
ASSETS			
NON-CURRENT ASSETS:			
Non-current tangible assets	51 847	61 229	
Intangible assets	306	376	
Investment	22 697	25 060	
TOTAL NON-CURRENT ASSETS	74 850	86 665	
CURRENT ASSETS			
Inventories	11 651	13 607	
Trade debtors	12 246	6 969	
Other accounts receivable	1 463	2 605	
Cash and Cash Equivalents	61	15	
TOTAL CURRENT ASSETS	25 421	23 196	
TOTAL ASSETS	100 271	109 861	
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	15 545	15 545	
Revaluation reserve	8 554	8 554	
Legal reserve	1 223	1 222	
Retained earnings	2 946	920	
Subsidy	31		
TOTAL CAPITAL AND RESERVES	28 299	26 241	
NON-CURRENT LIABILITIES			
Deferred tax liabilities	1 744	1 744	
Loans and other interest bearing payables	34 583	46 007	
TOTAL NON-CURRENT LIABILITIES	36 327	47 751	
TOTAL CURRENT LIABILITIES			
Loans and other interest bearing payables	18 740	18 692	
Debts to Suppliers	13 836	12 908	
Other liabilities	3 069	4 269	
TOTAL CURRENT LIABILITIES	35 645	35 869	
TOTAL LIABILITIES	71 972	83 620	
TOTAL EQUITY AND LIABILITIES	100 271	109 861	

Income Statement

LTL thousand

	2007	2006
TURNOVER	151 403	110 289
Production costs	(136 513)	(103 069)
GROSS PROFIT	14 890	7 220
Distribution costs	(1 481)	(1 181)
Administrative costs	(6 186)	(7 801)
Other operating income, net	1 806	288
PROFIT FROM OPERATING ACTIVITIES	9 029	(1 474)
Financial income, net	(3 510)	(3 158)
Operating result of the associated firm	(2 342)	(987)
PROFIT BEFORE TAXES	3 177	(5 619)
Income tax	(1 150)	302
NET ANNUAL PROFIT	2 027	(5 317)
Earnings per share	0,52	- 1,37

Statement of Changes in Equity

LTL thousand

	SHARE CAPITAL	LEGAL RESERVE	REVALUATION RESERVE	ACCRUED EARNINGS	TOTAL
CAPITAL AND RESERVES AS OF 31 DECEMBER 2004	15 545	637	8 987	10 684	35 853
Replacement of the revaluation reserve			(232)	232	0
Change in the deferred tax liability			18		18
Dividend				(3 886)	(3 886)
Allocation to the legal reserve		412		(412)	0
NET PROFIT 31.12.2005				3 446	3 446
CAPITAL AND RESERVES AS OF 31 DECEMBER 2005	15 545	1 049	8 773	10 064	35 431
Replacement of the revaluation reserve			(201)	201	
Adjustment of differed income tax liability			(18)	18	
Dividend				(3 886)	(3 886)
Allocation to the legal reserve		173		(173)	0
NET PROFIT (Loss) 31.12.2006				(5 304)	(5 304)
CAPITAL AND RESERVES AS OF 31 DECEMBER 2006	15 545	1 222	8 554	920	26 241
Replacement of the revaluation reserve					
Dividend					
Allocation to the legal reserve		1			1
NET PROFIT (Loss) 31.12.2007				2 027	2 027
CAPITAL AND RESERVES AS OF 31 DECEMBER 2007	15 545	1 223	8 554	2 947	28 269

Interim statements for year 2007
Cash Flow Statement

LTL thousand

	31-12-2007	31-12-2006
Result after taxes	2 026	(5 317)
Adjustments:		
Depreciation and amortisation	8 479	8 813
Result from investing activities	12	103
Sale, writing off, etc. of non-current tangible assets	1 789	47
Deferred taxes	0	0
Provisions for outdated inventories	0	0
Provisions for problematic amounts receivable	0	0
Amounts accrued to cover tax liabilities	(205)	(302)
Holiday pay reserve	0	0
Financial income and costs	5 227	4 074
Cash flow from ordinary activities before changes in working capital	17 328	7 418
Changes in trade receivables and other amounts receivable	(4 135)	2 343
Changes in inventories	1 956	718
Changes in debts to suppliers and other liabilities	(272)	(751)
Cash flow from operating activities	14 877	9 728
Income tax paid		
CASH FLOW FROM OPERATING ACTIVITIES	14 877	9 728
Acquisition of non-current assets	(851)	(1 302)
Acquisition of investments	0	(1 242)
Result from investing activities	(2 342)	0
Capitalisation of non-current intangible assets	0	0
Sale/writing off of non-current tangible assets	3 076	91
Dividend and interest received	0	0
CASH FLOWS FROM INVESTING ACTIVITIES	(117)	(2 453)
Dividend paid	0	0
Loans received/repaid	(11 376)	(4181)
Interest paid	(3 338)	(3 087)
CASH FLOWS FROM FINANCING ACTIVITIES, NET	(14 714)	(7 268)
CASH FLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES	46	7
Cash and cash equivalents as of 1 January	15	15
CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER	61	8

Explanatory Notes

1 Summary of the basic accounting principles and practices

The public company AB “Vilniaus baldai” is a listed company in Lithuania.

The company manufactures furniture. As of 31 December 2007, the Company employed 667 people (on 31 December 2007, there were 857 employees).

The Company’s shares are traded on the Official List of the OMX Vilnius Stock Exchange.

Compliance of the statements with established standards

Financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Standards Board (IFRSB) and with the interpretations of the Standard Interpretation Committee of the IFRSB.

Basis for drawing up of the statements

In the financial statements all figures are provided in LTL thousand. The statements are drawn up applying the method of historical costs.

When drawing up the financial statements in accordance with the IFRS, the managers are required to make calculations and estimations to support the assumptions that have an impact on application of the accounting principles and on the amounts of assets and liabilities, income and costs. The calculations and related assumptions are based on historical experience and other factors that correspond to the present situation and on the basis of which conclusions concerning the carrying amount of assets and liabilities are made that cannot be decided on the basis of other sources. The actual amounts may differ from these assumptions.

The Company’s accounting policies are consistent with those used in the previous years.

Amounts in foreign currencies are shown in the national currency

Transactions in foreign currencies are recorded in litas at the official exchange rate on the day of the transaction. Accounts receivable and payable and cash in foreign currencies are translated into litas at the exchange rate on the balance sheet day. The differences in the currency exchange rates that occur after the transactions are recorded in the Income Statement.

Balance Sheet

Non-current tangible assets

Non-current tangible assets, except buildings, are disclosed at acquisition or production cost, less accrued depreciation and impairment losses. The costs of internally developed assets include the costs of materials, direct labour costs and respective indirect production costs.

The value of buildings is disclosed at revaluation cost less accrued depreciation and impairment losses. Revaluation of buildings is performed every five years.

The costs suffered in an attempt to replace an element of tangible assets that is recorded separately, including costs of major repairs, undergo capitalisation. Other costs are capitalized only if they increase the expected economic benefit receivable from those assets. All other costs related to these assets are recorded in the Income Statement when incurred. Depreciation (amortization) of the non-current tangible assets is calculated on a straight – line basis over the estimated useful life of the assets and disclosed in the Income Statement, while its major elements are recorded separately. The projected useful economic life of the assets is as follows:

– buildings	40 years
– non-current tangible assets	6 – 10 years
– vehicles	5 – 10 years
– other assets	2 – 6 years

Non-current intangible assets

Non-current intangible assets that consist of the acquired software are recorded at actual acquisition or production cost, less accrued amortisation. Amortization is calculated on a straight – line basis over a period of 3 years.

Trade debtors and other accounts receivable

Trade debtors and other accounts receivable are disclosed at costs after the deduction of the provisions for potential losses.

Inventories

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slowmoving items. Net realisable value is the selling price in the ordinary course of business, less the cost completion, marketing and distribution. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable of fixed and variable overhead cost on a normal operating capacity.

Cash and cash equivalents

For the purposes of this Cash Flow Statement, cash and cash equivalents include cash on hand and demand deposits.

Impairment

The carrying amount of the Company's assets, excluding inventories and the deferred tax assets is tested at each balance sheet date for impairment when changes in circumstances indicate that the carrying amount may not be recoverable.

If any such indication exists, the recoverable amount of the assets is tested. The recoverable amount of the intangible assets not yet used is tested at each balance sheet date. Where the carrying amount of the asset exceeds the estimated recoverable amount, the impairment losses are recognized in the Income statement.

Calculation of the recoverable amount

The recoverable amount is its fair value less costs to sell or its value in use, whichever is higher. The asset value in use is calculated by discounting future cash flows to their present value applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Dividend

Dividends are recorded as a liability in the period they are announced.

Amounts carrying interest

The amounts carrying interest are disclosed at nominal value, less the costs of related transactions. After the initial recognition, the amounts carrying interest are recorded at amortized value, showing the difference between the nominal and amortized value in the Income Statement during the lifetime of the liability in accordance with the effective interest rates.

Income Statement***Income***

Income from sales is recognised in the Income Statement when the material risk and benefit in relation to title has been accepted by the customer. Income from services is recognised in the Income Statement if they were rendered before the balance sheet date. Income is not recognized if there are doubts concerning recovery of the transaction amounts or related costs or there is a probability that the goods will be returned.

Production costs

Production costs cover direct and indirect costs related to income from the sales of the year, including depreciation and remuneration. The costs of imported products include acquisition costs and transportation costs related to the sales of the year.

Income tax for the reporting year

The income tax includes current and deferred taxes. Income tax is recorded in the Income Statement, except those instances when it is related to items directly recorded in shareholders' equity, in which case it is recorded in shareholders' equity.

The current income tax is the actual tax calculated on the annual taxable income, applying tax rates effective and applicable at the balance sheet date, including adjustments to tax amounts in the previous year, if any.

The deferred tax is calculated using the liability method of net positive timing differences between accounting and taxation balance sheet values of assets and liabilities. The deferred tax amount depends on the projected use of the assets and coverage of the liabilities in the future and projected tax rates at the balance sheet date.

Deferred tax allowances are recognized as an asset in the balance sheet to the extent that they are considered capable of being realized in the future. The deferred tax asset is discounted to the amount to be realized.

Segment reporting

A segment is a significant part of the enterprise business, based on the products supplied or services rendered (business segment) or on the supply of products/ rendering of services within a particular economic environment that is subject to risks and returns particular for that economic environment.

Cash Flow Statement

The cash flow statement shows inflow and outflow of cash during the reporting period and the financial status at the end of the year. The cash flows are classified according to three main types of activities, namely, operating, investing and financing activities.

In the Cash Flow Statement the operating cash flows are recorded using the indirect method, i.e. on the basis of income and costs as recorded in the Income Statement.

Cash and cash equivalents comprise cash at bank and on hand together with short-term securities recorded in current assets.

Cash flows from operating activities are recorded as a net profit or loss adjusted for the effects of non-cash transactions, changes in working capital, financial and extraordinary items, less income tax paid.

Working capital includes current assets, except those recorded in cash and cash equivalents, and current liabilities, except loans, taxes and dividends. Cash at bank and on hand together with short-term securities recorded in current assets are not included.

Cash flows from investing comprise increase and decrease in non-current assets. The increase is shown as costs. The decrease is recorded as the sales costs after deduction of the expenses.

Cash flows from financing activities include cash received from and paid to the shareholders, loans received and repaid, and long-term and short-term liabilities, not included into the working capital.

Segment reporting

The Company's single business segment (the basis for the primary segment report format) pertains to furniture manufacturing. Information about the segments is provided with regard to the Company's geographical segments (the secondary segment report format).

Income and all assets according to geographical segments:

LTL thousand	Sales		Total assets	
	2007	2006	2007	2006
Lithuania	3 887	5 348	100 271	109 861
EU countries	96 522	72 070	0	0
Other countries	50 994	32 871		
	<u>151 403</u>	<u>110 289</u>	<u>100 271</u>	<u>109 861</u>

Distribution costs

	2007	2006
	LTL thousand	LTL thousand
Remuneration and social insurance	622	729
Export costs (transportation)	185	151
Depreciation	133	126
Business trips	4	20
Advertising	6	12
Other	491	143
	<u>1 481</u>	<u>1 181</u>

Administrative costs

	2007	2006
	LTL thousand	LTL thousand
Remuneration and social insurance	2 746	2 585
Depreciation	442	496
Employee training and other	576	341
Utilities and communication	645	628
Amortization	225	267
Insurance	112	62
Business trips	100	58
Bank services	30	38
Repairs and maintenance costs	176	186
Professional services	41	54
Other	1 093	3 086
	<u>6 186</u>	<u>7 801</u>

Income from ancillary activities, net

	<u>2007</u>	<u>2006</u>
	LTL thousand	LTL thousand
Lease income	504	360
Sale of waste materials		
Written off problematic debts		
Sales tangible assets	1293	-103
Other income and losses	9	31
	<u>1 806</u>	<u>288</u>

Financial income, net

	<u>2007</u>	<u>2006</u>
	LTL thousand	LTL thousand
Bank loan interest costs	-3 559	- 3 087
Amortisation of future income	0	0
Currency exchange profit, less loss	14	-71
Other income and losses	35	0
	<u>-3 510</u>	<u>-3 158</u>

Earnings per share

The basic portion of earnings per share is computed by dividing net shareholders' earnings by the weighted average number of common shares outstanding during the year.

LTL thousand	<u>31.12.2007</u>	<u>31.12.2006</u>
Net annual profit	2 027	-5 317
Weighted average number of the shares (thou)	3 886	3 886
Earnings per share (LTL)	<u>0,52</u>	<u>-1,37</u>

The Company has issued no other securities that could be potentially converted into common shares. The earnings per share and the earnings per potentially convertible share is the same.

Non-current tangible assets

LTL thousand	Buildings	Machinery and equipment	Vehicles	Other non-current assets	Construction in progress	Total
Costs as of 1 January	32 012	62 041	1 111	3 110	108	98382
Increase	0	697	0	124	65	886
Sales	-954	-1 521	-573	-26	0	-3 074
Writing off	0	-157	-8	-84	4	-249
Regrouping	2 035	-1 476	-156	-230	-173	0
Costs as of 31 December	33 093	59 584	374	2 894	0	95 945
Depreciation as of 1 January	8 759	26 154	499	1 741	0	37 153
Depreciation during half of the year	1 011	7 034	83	351	0	8 479
Sales	-237	-735	-318	-21	0	-1 310
Writing off	0	-141	-8	-75	0	-224
Regrouping	1 052	-950	-68	-34	0	0
Depreciation as of 31 December	10 585	31 362	188	1 962	0	44 098
NET CARRYING VALUE AS OF 31 DECEMBER 2007	22 508	28 222	186	932	0	51 847
NET CARRYING VALUE AS OF 1 JANUARY 2006	23 253	35 887	612	1 369	108	61 229
Depreciation period	40 years	6-10 years	5 - 10 years	2 - 6 years		

Depreciation was broken down as follows:

LTL thousand	31.12.2007	31.12.2006
Production and product development costs	7 904	7 924
Sales, administrative and other costs	575	622
TOTAL	8 479	8 546

Investments

	31.12.2007	31.12.2006
	LTL thousand	LTL thousand
Shares of UAB "Girių Bizonas"	25 066	26 052
Other	1	1
Impact of the equity method	-2 369	-987
NET CARRYING VALUE AS OF 31 DECEMBER	22 698	25 066

Inventories

	<u>31.12.2007</u>	<u>31.12.2006</u>
	LTL thousand	LTL thousand
Raw materials	7 871	9 703
Production in progress	2 548	2 688
Finished products	1 205	2 026
Goods for resale	27	90
		(900)
NET CARRYING VALUE AS OF 31 DECEMBER	<u>11 651</u>	<u>13 607</u>

Raw materials include wood, fittings and accessories, plastic elements, chemicals and other materials used in production.

Other accounts receivable

	<u>31.12.2007</u>	<u>31.12.2006</u>
	LTL thousand	LTL thousand
Advance income tax	0	1 469
Amounts receivable from the state (VAT recoverable)	1 105	787
Other amounts receivable and future costs	358	425
NET CARRYING VALUE AS OF 31 DECEMBER	<u>1 463</u>	<u>2 605</u>

Cash and cash equivalents

	<u>31.12.2007</u>	<u>31.12.2006</u>
	LTL thousand	LTL thousand
Cash in banks	37	12
Cash on hand	24	3
Cash and cash equivalents at the end of the period	<u>61</u>	<u>15</u>

Capital and reserves
Share capital

The share capital is made up of 3 886 267 common shares of the nominal value of LTL 4, while the total value of the share capital amounts to LTL 15 545 068.

Legal reserve

The reserve of LTL 1 222 thousand is the legal reserve made under the laws of the Republic of Lithuania. An allocation of at least 5% of the net profit must be made into the legal reserve out of the profit to be appropriated every year until the legal reserve reaches 10% of the authorized capital.

Loans and other borrowings, secured with pledged assets

	31.12.2007	31.12.2006
	LTL thousand	LTL thousand
NON-CURRENT LIABILITIES		
Long-term loan	34 421	46 007
NET CARRYING VALUE AS OF 30 JUNE	<u>34 421</u>	<u>46 007</u>
SHORT-TERM LIABILITIES, SECURED WITH PLEGDED ASSETS		
Current portion of loans	6 968	18 692
NET CARRYING VALUE AS OF 30 JUNE	<u>6 968</u>	<u>18 692</u>

Terms and maturity

The credit agreement with AB "Sampo bankas" was extended on 3 September 2004. The agreement guaranteed a loan extension in the amount of EUR 2540 thousand to refinance liabilities to UAB "SEB VB lizingas" and the loan issued by AB "Sampo bankas" as well as to finance investment into plant and equipment. The loan matures on 25 February 2010. The annual interest rate on the credit is 6 months' EURIBOR + 1.3%.

On 8 August 2005, the Company signed a credit agreement with AB "Sampo bankas" concerning extension of EUR 4 650 thousand credit limit to finance investment into production buildings and equipment. The term of maturity is 28 December 2011; the annual interest rate on the credit equals 6 months' EURIBOR + 1.5%.

On 8 June 2006, the Company extended its credit line agreement with AB "Sampo bankas" concerning financing of the working capital. The maximum credit line amounts to LTL 12 500 thousand and matures on 25 February 2007. The annual interest rate on the credit equals 6 months' VILIBOR + 1.3%.

On 27 November 2006, the Company signed a credit extension agreement with AS "Sampo pank". AS "Sampo pank" shall transfer to AB "Sampo Bankas" all rights and duties related to the portion of the loan and remaining nonrepaid, amount of thousand EUR 4 719. The loan matures on 1 July 2012; the annual interest rate on the credit amounts to 6 months' EURIBOR + 1.5%.

On 01 March 2007, the Company extended its credit line agreement with AB "Sampo bankas" concerning financing of the working capital. The maximum credit line amounts to LTL 12 500 thousand and matures on 25 February 2007. The annual interest rate on the credit equals 6 months' VILIBOR + 1.3%.

On August 10 2007 the Company signed appendix on credit line agreement with AB "Sampo bankas". The maximum credit line amounts to 12 500 thousand LTL. The annual interest rate on the credit equals 6 months' VILIBOR + 1.1%.

On August 10 2007 the Company signed appendix on 28 December 2004 loan agreement with AB "Sampo bankas". The annual interest rate on the credit equals 6 months' EURIBOR + 1.1%.

On August 10 2007 the Company signed appendix on 25 February 2003 loan agreement with AB "Sampo bankas". The annual interest rate on the credit equals 6 months' EURIBOR+ 1.1%.

Schedule of payment for financial liabilities, secured with pledged assets:

LTL thousand	Total amount payable as of 31 December 2007	2008	2009	2010-2012
Loan of EUR 2 540 thousand	3 671	1 642	1 623	406
Loan of EUR 9 369 thousand	25 947	5 326	5 326	15 295
Used credit of LTL 12,500 thousand	11 771		11 771	0
TOTAL	41 389	6 968	18 720	15 701

Other creditors

	31.12.2007	31.12.2006
	LTL thousand	LTL thousand
Holiday pay reserve	983	983
Liability for wages and social insurance	169	1 434
Operating taxes	9	139
Advance payments	55	76
Income tax liability	945	
Other accounts payable and accrued taxes	908	1 637
NET CARRYING VALUE AS OF 31 DECEMBER	3 069	4 269

Personnel costs

	31.12.2007	31.12.2006
	LTL thousand	LTL thousand
Production and product development costs	22 197	19 616
Sales, administrative and other costs	2 665	3 313
	24 862	22 929

Currency risk

The Company's exposure to the currency risk when selling, purchasing and borrowing in foreign currencies, except EUR is mostly related to the SEK.

Accounts receivable and payable in foreign currencies as of 31 December 2007 may be broken down as follows:

LTL thousand	EUR	USD	SEK	Other
Trade debtors	1	0	0	0
Cash		0	0	0
Borrowings	8 578	0	0	0
Debts to suppliers	510	20	3 577	103
		0		0

Interest risk

VILIBOR and EURIBOR related floating interest rates are applied to the loans extended to the Company.

As of 31 12 2007, the Company used no financial instruments as interest risk hedging.

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY AND OTHER INFORMATION

On 21 July 2007, the Board of AB "Vilniaus baldai" approved the unaudited financial statements for the first half of the year, drawn up according to the International Financial Reporting Standards.

Sales of AB "Vilniaus Baldai" during January–July of 2007 amounted to LTL 74,343 thousands (LTL 52,658 in the same period of 2006).

Net profit of AB "Vilniaus Baldai" during January–July of 2007 was LTL 674 thousands. In the calculation of the Company's semi-annual net profit a loss of LTL 796 thousands was considered, having resulted from the calculation of the value of UAB "Girių bizonas" using the equity method.

Profit before taxes, interest and depreciation (EBITDA) amounted to LTL 7.96 millions, which a year ago was LTL 6.63 millions.

August 20th, 2007 AB „Vilniaus baldai“ board has confirmed AB „Vilniaus baldai“ forecast for year 2007:

1. Turnover – 158 millions. LTL (46 millions Eur)
2. Net profit – 3.5 millions. LTL (1 millions Eur)
3. EBITDA – 15 million. LTL (4.3 millions Eur)

Forecast includes 0.2 million LTL (0.06 million EUR) 2007 year result of UAB „Girių bizonas“ and 1.44 millions LTL (0.42 million EUR) profit on sale of fixed assets

During period January –October 2007 turnover was 129 411 thousands LTL (37 480 thousands Eur), same period year 2006 was 91 063 thousand sLTL (26 374 thousands Eur).

Net profit during period 2007 January-September was 3 072 thousands LTL (890 thousand Eur), same period year 2006 net loss was 193 thousands LTL (56 thoudands Eur).

EBITDA was 14.49 millions LTL (4.2 million Eur). Year ago it was 9.1 millions LTL (2.6 millions Eur).

November 28th, 2007 AB „Vilniaus baldai“ board has confirmed AB „Vilniaus baldai“ business plan for year 2008:

1. Turnover – 199.5 millions. LTL (57.78 millions Eur)
2. Net profit – 5.8 millions. LTL (1.68 millions Eur)
3. EBITDA – 16.96 million. LTL (5.78 millions Eur)

Prognosis includes zero net profit of UAB „Girių bizonas“ for year 2008.