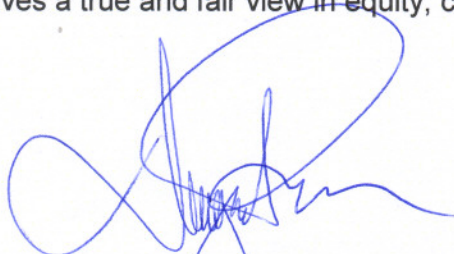


RESPONSIBLE PERSONS CONFIRMATION

28-02-2008

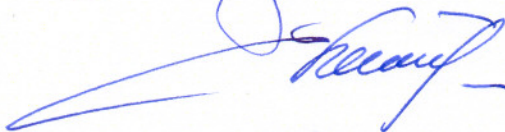
Confirm that by LR Law on Securities article 22, part 1 AB "Vilniaus baldai" Financial statement for the year 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS). We consider that the accounting policies used are appropriate and financial statement thus gives a true and fair view in equity, cash flow, assets, liabilities and income statement.

General Director



Nerijus Pacevičius

Chief Financial



Jelena Makmak

***PUBLIC COMPANY "VILNIAUS BALDAI"***

*Interim statements for 12 months 2007*

## CONTENTS

I. GENERAL PROVISIONS.....	3
II. DATA ABOUT THE ISSUER'S MAJOR SHAREHOLDERS AND MEMBERS OF THE MANAGING BODIES.....	5
III. FINANCIAL STATUS.....	9
IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY AND OTHER INFORMATION.....	21
V. RESPONSIBLE PERSONS KONFIRMATION.....	22

## I. GENERAL PROVISIONS

### 1. Reporting period covered by this Report

The Report has been drawn up for the year 2007.

### 2. Main data about the issuer

Name of the issuer	Public company (AB) "Vilniaus baldai"
Code	1219 22783
Authorized capital	15 545 068 Lt
Office address	Savanorių Ave. 178, LT-03154 Vilnius
Telephone	+370 5 252 57 00
Fax	+370 5 231 11 30
E-mail	<a href="mailto:info@vilniausbaldai.lt">info@vilniausbaldai.lt</a>
Website	<a href="http://www.vilniausbaldai.lt">www.vilniausbaldai.lt</a>
Legal and organizational form	Legal person of limited liability; public company
Date and place of registration	9 February 1993; Vilnius municipality
Register, in which data about the company are accumulated and stored	Register of legal entities

Main areas of the Company's activities: design, manufacturing and sale of office, bedroom, sitting room and hall furniture.

### 3. Information about where and how to access the Report and the documents, on the basis of which it has been drawn up, and the designation of the means of mass media for announcements

The Report and supporting documents, on the basis of which it has been drawn up, can be accessed at the Company's registered office at Savanorių Ave. 178, Vilnius.

The means of mass media for AB "Vilniaus baldai" announcements: the daily "Verslo žinios", the Lithuanian news agency ELTA and the news agency BNS.

### 4. Persons responsible for the accuracy of the information in the Report

4.1. Members of the managing bodies, employees and the Head of the Administration of the issuer are responsible for the accuracy of the information:

Nerijus Pacevičius, Director General, tel. +370 5 252 57 00, fax. +370 5 231 11 30

Jelena Makmak, Chief Financier, tel. +370 5 252 57 20

**5. Declaration by the members of the issuer's managing bodies, employees, the Head of the Administration and the issuer's consultants that the information contained in the Report is in accordance with the facts and that the Report makes no omission likely to have an effect on the investors' decision concerning purchase, sale or valuation of the issuer's securities or on the market price of these securities.**

AB "Vilniaus baldai", represented by Nerijus Pacevičius, Director General, and Jelena Makmak, Chief Financier, hereby confirm that the information contained in the Report is in accordance with the facts and that the Report makes no omission likely to have an effect on the investors' decision concerning purchase, sale or valuation of the issuer's securities or on the market price of these securities.

**Nerijus Pacevičius**, Director General of AB "Vilniaus baldai"

**Jelena Makmak**, Chief Financier of AB "Vilniaus baldai"

## II. DATA ABOUT THE ISSUER'S MAJOR SHAREHOLDERS AND MEMBERS OF THE MANAGING BODIES

### 1. Main areas of the Company's activities

AB "Vilniaus baldai" designs, manufactures and sells flat pack furniture.

### 2. Information about agreements signed with financial intermediaries of public trading in securities

AB "Vilniaus baldai" signed agreements with the financial brokerage firm AB "Finasta" (Konstitucijos Ave. 23, Vilnius) concerning management of securities accounting and payment of dividends to the shareholders for the financial years 2002–2005.

### 3. Structure of the Company's authorized capital

Structure of the authorised capital of AB "Vilniaus baldai"

Type of the shares	Number of shares, units	Nominal value, LTL	Total nominal value, LTL	Share in the authorized capital, %
Ordinary registered shares	3,886,267	4	15,545,068	100.00

All shares are fully paid up and no restrictions apply to their transfer.

### Rights and obligations carried by the shares

The shareholders have no property obligations to the company, except for the obligation to pay up, in the established manner, all the shares subscribed for at their issue price.

If the General Meeting takes a decision to cover the losses of the company from additional contributions made by the shareholders, the shareholders who voted "for" shall be obligated to pay the contributions. The shareholders who did not attend the General Meeting or voted against such a resolution shall have the right to refrain from paying additional contributions. A shareholder shall repay the company any dividend paid out in violation of the mandatory norms of the Law on Companies, if the company proves that the shareholder knew or should have known thereof.

The Company's shareholders have the following property rights:

- 1) to receive a part of the Company's profit (dividend);
- 2) to receive part of the Company's funds, when the Company's authorized capital is decreased, in order to pay the shareholders from the Company's funds;
- 3) to receive shares without payment if the authorized capital is increased out of the company funds, except in cases provided for by the laws 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;
- 5) to lend to the company in the manner prescribed by law; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders;

- 6) to receive a part of assets of the company in liquidation.

The Company's shareholders have the following non-property rights:

- 1) to attend the General Meetings;
- 2) to vote at General Meetings according to voting rights carried by their shares;
- 3) to receive information on the company specified in the Law on Companies of the Republic of Lithuania;
- 4) 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 this Law and other laws and the Company's Articles of Association as well as in other cases laid down by laws;
- 5) others non-property rights established by law and the Company's Articles of Association.

Position held, names and surnames, data about participation in the issuer's authorized capital

Participation of the members of AB "Vilniaus baldai" managing bodies in the authorized capital

Name, surname	Position held	Share of the capital/ votes held, %
THE BOARD BEFORE 11 APRIL 2007		
Alvydas Banys	Chairman	0.01
Algirdas Bučas	Member	2.84
Dailius Juozapas Mišeikis	Member	1.45
THE BOARD AS FROM 12 APRIL 2007		
Vytautas Bučas	Chairman	-
Darius Šulnis	Member	0.11
Raimondas Rajeckas	Member	-
ADMINISTRATION		
Nerijus Pacevičius	Director General (from 08.09.2006)	-
Viktoras Majauskas	Director General (until 07.09.2006)	-
Jelena Makmak	Chief Financier (from 23.04.2007)	-

Data about the Chairman of the Board, the Head of the Administration and the Chief Financier (Finance Director)

**Vytautas Bučas**, Chairman of the Board. Educational background: Vilnius University, Faculty of Economics; in July 1991 attended a course at Wharton Business School; 1994 – 2002: member of the Association of Chartered Certified Accountants, UK. Positions held in the last 10 years: 1992 – 2000 worked for Arthur Andersen (chief auditor, chief manager, manager); 2000 – 2006 worked for AB SEB Vilniaus bankas (member of the Board, Deputy President, Director of the Finance Service, Director of the IT service), since 2006 advisor with AB "Invalida"; since 6 April 2006 Director of AB "Invalidos nekilnojamo turto fondas".

**Darius Šulnis**, member of the Board. Educational background: Vilnius University, Faculty of Economics. Positions held in the last 10 years: 1994 – 2002: Director of AB FMĮ "Finasta"; 2002– 2005: Director of UAB "Invalida Real Estate"; since 2006 President of AB "Invalida".

**Raimondas Rajeckas** – member of the Board. Educational background: Vilnius University, Faculty of Economics, specialising in accounting and audit. Positions held in the last 10 years: 1998 – 2000 accountant with AB “Invalda”, in 2000 – 2002 accountant with AB “Gildeta”, 2000 – 2001 Chief Financier with UAB “Invaldos marketingas” (current name UAB “Inred”), 2000 – 2001 Chief Financier with AB “Galinčius”, in 2001 – 2006 Chief Financier with AB “Valmeda”, in 2004-2006 Chief Financier with UAB “Kelionių viešbučiai”. Since 27.11.2006 Chief Financier of AB “Invalda”.

**Nerijus Pacevičius**, Director General (since 8.09.2006). Educational background: Kaunas Vytautas Magnus University, Business Administration, MBA. Positions held in the last 10 years: 1995-1998 car sales manager with UAB “Krasta auto”, 1998-1999: Director of Mercedes Benz representative office in Kaunas county, UAB “Autokompleksas”; 1999-2004: Director of UAB “Krasta auto”; 2004 – 2005: Chairman of the Board of UAB “Krasta auto” and UAB “Autobrava”.

**Jelena Makmak**, Chief Financier (from 23.04.2007). Educational background: Vilnius University, Faculty of Economics. Speciality – economist. Positions held in the last 10 years: 1.01.1996 to February 2007 Finance Director of UAB Kemira GrowHow.

**The Board before 11.04.2007:**

**Alvydas Banys**. Educational background: Vilnius Technical University, Faculty of Construction Economics, junior research assistant with the Institute of Economics, Lithuanian Academy of Science. Positions held in the last 10 years: 1996–2006: President of UAB “Nenuorama”, since 1996 Vice-President of AB “Invalda”; since 2006 advisor.

**Algirdas Bučas**. Educational background: Vilnius University, Faculty of Economics, DrSc. Positions held in the last 10 years: has worked with AB “Invalda” since 1998 (until 1 January 2006 as President, since 2006 as advisor).

**Dailius Juozapas Mišeikis**. Educational background: Vilnius University, Faculty of Economics. Positions held in the last 10 years: from 1992 Real Estate Director of AB “Invalda”; from 1998 its Vice-President, from 2005 advisor.

**Viktoras Majauskas**, Director General until 7.09.2006. Educational background: Kaunas Technological University, engineer. Positions held in the last 10 years: Production Director of AB “Audėjas”, Commercial Director with UAB “Audimpeksas”, 2001–2006 Director General of AB “Vilniaus baldai”.

**Vygantas Didžiulis**, Chief Financier until 20.04.2007. Educational background: Vilnius University, Finance and banking, DrSc. Positions held in the last 10 years: 1997–2000: Finance and Personnel Director with AB “Ragutis”; 2000–2002, Finance Director with UAB “Katra”; 2002–2004 Finance Director with UAB “Forumo rūmai”, 2004–2007 Chief Financier with AB “Vilniaus baldai”.

Data about participation in the activities of other companies, enterprises and organizations (name of the company, enterprise, or organization and position held); capital and votes exceeding 5 %, held in other enterprises (%);

Participation in the activities of other companies, enterprises and organizations; capital and votes exceeding 5 %, held in other enterprises (%)

NAME, POSITION TAKEN	PORTION OF THE CAPITAL AND VOTES, EXCEEDING 5 %
VYTAUTAS BUČAS	
AB “Invalda”, member of the Board	13.07 %
AB “Invaldos nekilnojamojo turto fondas”, Director, member of the Board	-
AB FMĮ “Finasta”, member of the Board	-
AB “Finasta įmonių finansai”, member of the Board	-
AB “Vilniaus baldai”, Chairman of the Board	-
UAB “Hidroprojektas”, member of the Board	-



*Interim statements for year 2007*

AB "Kauno tiltai", member of the Board	-
UAB "Girių bizonas", member of the Board	-
AB "Sanitas", member of the Board	-
<b>DARIUS ŠULNIS</b>	
AB "Invalda" President, member of the Board	9.94 %
AB "Sanitas", Chairman of the Board	-
UAB "Hidroprojektas", Chairman of the Board	-
AB FMĮ "Finasta", Chairman of the Board	-
AB "Finasta įmonių finansai", Chairman of the Board	-
AB "Agrovaldymo grupė", member of the Board	-
SIA "Industrial and logistics centre "Lapegles" (Latvia), member of the Supervisory Board	-
SIA "DOMMO" (Latvia), Chairman of the Supervisory Board	-
SIA "AMMO" (Latvia), Chairman of the Supervisory Board	-
SIA "Celtniecības Pasaule" (Latvia), Chairman of the Supervisory Board	-
AB "Vilniaus baldai", member of the Board	-
AB "Umega", member of the Board	-
UAB "Golfas"	31.0 %
UAB "Broner", member of the Board (until 26.04.2007)	-
UAB "Wembley-Neringa", member of the Board (until 26.04.2007)	-
<b>RAIMONDAS RAJECKAS</b>	
AB "Vilniaus baldai", member of the Board	-
UAB "Hidroprojektas", member of the Board	-
AB "Invalda", Chief Financier	-
<b>ALVYDAS BANYS</b>	
AB "Invalda", Chairman of the Board (until 02.05.2007)	5.09 % of votes
UAB "Nenuorama"	14.98 % / 16.65 %
(a) AB "Valmeda", Chairman of the Board	-
UAB "Invalda Real Estate", member of the Board	-
UAB "Gulbinų turizmas"	11.1 %
UAB "Statybų mechanizacija"	17.0 %
AB "Kauno tiltai", member of the Board (until 25.04.2007)	-
<b>DAILIUS JUOZAPAS MIŠEIKIS</b>	
AB "Finasta", member of the Board	-
AB "Valmeda", member of the Board	-
UAB "Nenuorama"	22.97 % / 25.5 %
AB "Grigiškės"	5.11 %
UAB Invalda Real Estate, Member of the Board	-
UAB Aikstentis, Chairman of the Board	-
UAB Broner, Chairman of the Board (until 26.04.2007)	-
UAB Wembley – Neringa, Chairman of the Board (until 26.04.2007)	-
<b>ALGIRDAS BUČAS</b>	
AB "Finasta", member of the Board	-
AB "Valmeda"	-
UAB "Nenuorama"	30 % / 33.3 %
<b>NERIJUS PACEVIČIUS</b>	
UAB "Dalinera"	50 %
<b>JELENA MAKMAK</b>	
UAB "Baltic Line"	10 %

**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	
<b>ASSETS</b>			
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	
<b>TOTAL ASSETS</b>	<b>100 271</b>	<b>109 861</b>	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
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	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100 271</b>	<b>109 861</b>	

**Income Statement**

LTL thousand

	<b>2007</b>	<b>2006</b>
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

## 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 PLEDGED 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
<b>TOTAL</b>	<b>41 389</b>	<b>6 968</b>	<b>18 720</b>	<b>15 701</b>

**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	1637
<b>NET CARRYING VALUE AS OF 31 DECEMBER</b>	<b>3 069</b>	<b>4 269</b>

**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
	<b>24 862</b>	<b>22 929</b>

**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 thousand 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 – 19.96 million. LTL (5.78 millions Eur)

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

---

RESPONSIBLE PERSONS CONFIRMATION

28-02-2008

Confirm that by LR Law on Securities article 22, part 1 AB “Vilniaus baldai” Financial statement for the year 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS). We consider that the accounting policies used are appropriate and financial statement thus gives a true and fair view in equity, cash flow, assets, liabilities and income statement.

General Director

Nerijus Pacevičius

Chief Financial

Jelena Makmak