

Public company “Vilniaus baldai”

Interim Semi-Annual Report for the Year 2007

1. Reporting period covered by this Report

The Report has been drawn up for the first half of the year 2007.

2. The issuer and its contact data

Name of the issuer	Public company (AB) "Vilniaus baldai"
Legal form	Public company
Date and place of registration	9 February 1993; the Board of Vilnius Municipality
Code	1219 22783
Office address	Savanorių Ave. 178, LT-03154 Vilnius
Telephone	(+370~5) 252 57 00
Fax	(+370~5) 231 1130
E-mail	info@vilniausbaldai.lt
Website	www.vilniausbaldai.lt

3. Main areas of the Company's activities

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

4. 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.

5. 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) other non-property rights established by law and the Company's Articles of Association.

6. Shareholders

As of 30 June 2007, the total number of shareholders was 1,136.

Shareholders who held title to more than 5 percent of the issuer's authorized capital and/ or votes on 30 June 2007.

Names of the shareholders, office addresses, codes	Number of shares held by the right of ownership, units	Share of the authorized capital held, %	Share of the votes, %
AB "INVALDA" ^{***} Šeimyniškių St. 3, Vilnius 1213 04349	2,567,006	66.05	66.05
HANSABANK CLIENTS Liivalaia 8, 15040 Tallinn, Estonia 10060701	314,193	8.08	8.08

There are no shareholders entitled to special rights of control.

There is no restriction on voting rights.

The issuer has no knowledge of any mutual agreements between the shareholders that might result in the restriction of transfer of the securities and (or) voting rights.

7. Data about trading in the Company's securities on regulated markets

All shares issued by AB "Vilniaus baldai" are listed on the Official List of the OMX Vilnius Stock Exchange.

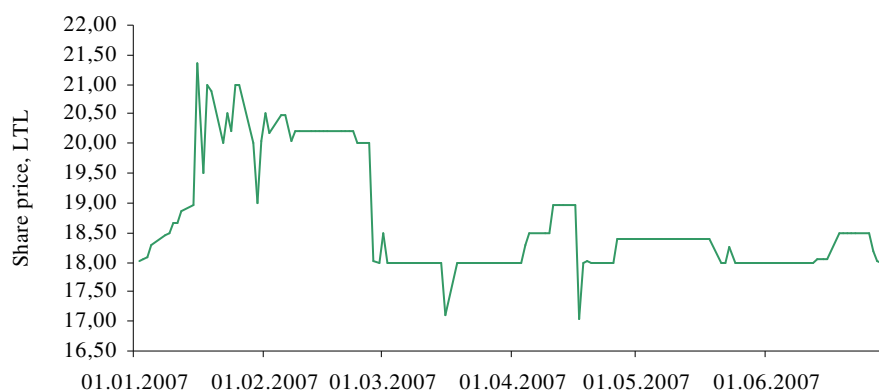
Main characteristics of the shares

Type of the shares	ISIN code	Acronym	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000104267	VBLIL	3,886,267	4	15,545,068

Trading in the Company's shares

Reporting period	Price, LTL			Turnover, LTL			Date of the last trading session	Total turnover	
	highest	lowest	last	highest	lowest	last		units	LTL
2007, 1 st quarter	21.37	17.11	18.00	1,459,664.44	0	0	30.03.2007	150,587	2,835,145.43
2007, 2 nd quarter	18.97	17.03	18.05	90,527.44	0	2,346.50	29.06.2007	26,346	475,411.45

Movement of the share price in the first half of 2007



Capitalization of the Company's shares

Date of the last trading session	Capitalization, LTL
30.03.2007	69,952,806.00
29.06.2007	70,147,119.35

8. Employees

On 30 June 2007, the number of employees working for the Company totalled 811; on 30 June 2006, there were 944 employees. The number of jobs has decreased because of the increased efficiency of labour.

	30.06.2007	31.12.2006	30.06.2006
Number of employees	811	852	944
Senior managers and specialists	73	74	81
Workers	738	778	863

Average monthly wages of the employees (before taxes), LTL

	1st half 2007	1 st half 2006
Senior managers and specialists	3,671	2,992
Workers	1,585	1,133
Total	1,759	1,282

Employment Agreements and Collective Agreements do not provide for any extraordinary rights and obligations or a part thereof for the Company's employees.

9. The order of changing the Company's Articles of Association

The Articles of Association of AB "Vilniaus baldai" may be changed by the resolution of the General Meeting, passed by more than 2/3 of votes.

10. The Company's Managing Bodies

AB "Vilniaus baldai" is managed through the General Meeting; it has a single person managing body, Director General, and a collegial managing body, the Board. The Supervisory Board shall not be formed.

The Board comprises 3 members. It is elected for the period of four years by the General Meeting. The Board elects and removes from office the Company's Director General, sets his/her salary, approves work regulations, offers incentives and imposes penalties.

The Board and Administration of AB "Vilniaus baldai":

Name, surname	Vytautas Bučas
Position held	Chairman of the Board, elected on 12 April 2007, end of the term in office in 2008
Experience	From 2006: AB "Invalda", consultant 2000 – 2006: AB SEB "Vilniaus bankas", Member of the Board, Deputy President, Director of the Finance Division, Director of IT Division 1992 – 2000: "Arthur Andersen", senior auditor, senior manager, manager
Participation in the activities of other companies	AB "Invalda", Chairman of the Board (13.07 % of shares) AB "Invalidos nekilnojamojo turto fondas", Chairman of the Board AB FMĮ "Finasta", Member of the Board AB "Finasta įmonių finansai", Member of the Board UAB "Girių bizonas", Member of the Board AB "Kauno tiltai", Member of the Board AB "Sanitas", Member of the Board UAB "Hidroprojektas", Member of the Board
Participation in the Company's authorized capital	no

Name, surname	Darius Šulnis
Position held	Member of the Board, elected on 12 April 2007, end of the term in office in 2008
Experience	From 2006: AB "Invalda", President 2002 – 2006: UAB "Invalda Real Estate", Director 1994 – 2002: AB FMĮ "Finasta", Director
Participation in the activities of other companies	President, Member of the Board of AB "Invalda" (9.94 % of shares) 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 "Dommo grupa" (Latvia) Chairman 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
Participation in the Company's authorized capital	0.28 % of the authorized capital and votes

Name, surname	Raimondas Rajeckas
Position held	Member of the Board, elected on 12 April 2007, end of the term in office in 2008.
Experience	From November 2006: AB "Invalda", Chief Financier

	2001 – 2006: AB “Valmeda”, Chief Financier 2000 – 2001: AB “Galinčius”, Chief Financier 2000 – 2001: UAB “Invalidos marketingas” (current name UAB “Inred”), Chief Financier; 2000 – 2002: AB “Gildeta”, Accountant 1998 – 2000: AB “Invalda”, Accountant
Participation in the activities of other companies	UAB “Hidroprojektas,” Member of the Board AB “Invalidos nekilnojamojo turto fondas”, Member of the Board
Participation in the Company’s authorized capital	no

Name, surname	Nerijus Pacevičius
Position held	Director General from 8.09.2006
Experience	2004 – 2005: UAB “Krasta auto” and UAB “Autobrava”, Chairman of the Board 1999 – 2004: UAB “Krasta auto”, Director 1998 – 1999: UAB Autocomplex of the “Mercedes Benz” representative office, Kaunas county, Director 1995 – 1998: UAB “Krasta auto”, Sales manager
Participation in the activities of other companies	UAB “Aivenida” (33 % of the shares) UAB “Dalinera” (50 % of the shares)
Participation in the Company’s authorized capital	no

Name, surname	Jelena Makmak
Position held	From 23.04.2007: Chief Financier
Experience	1996 – 2007: UAB “Kemira GrowHow”, Finance Director
Participation in the activities of other companies	UAB “Baltic Line” (10 %)
Participation in the Company’s authorized capital	no

During the first half of 2007, no assets were transferred, nor any surety or guarantee offered for the discharge of obligations of the members of the Board of AB “Vilnius baldai”, Director of the Company and the Chief Financier. The Director General and the Chief Financier were allocated LTL 238,333 as a remuneration.

11. Survey of the Company’s activities

	30.06.2007	30.06.2006
Non-current assets, LTL thou	81,752	90,017
Current assets, LTL thou	24,168	27,990
Total assets, LTL thou	105,920	118,007
Capital and reserves, LTL thou	26,915	31,976
Total liabilities, LTL thou	79,005	86,031
Non-current liabilities	46,795	43,529
<i>Financial debts</i>	45,051	41,483
Current liabilities	32,210	42,502
<i>Financial debts</i>	13,966	23,964
Turnover, LTL thou	74,343	52,658
- in Lithuania	1,464	3,472
- in EU countries	47,180	35,073
- Other countries	25,699	14,113
Gross profit, LTL thou	7,781	5,493

	30.06.2007	30.06.2006
Operating profit, LTL thou	3,589	2,241
Profit before taxes, LTL thou	1,049	573
Net annual profit, LTL thou	674	420
EBITDA, LTL thou	7,962	6,629
Gross margin, %	10.5	10.4
Operating margin, %	4.8	4.3
Profit margin, %	0.9	0.8
ROA, %	0.6	0.4
ROE, %	2.5	1.3
Debt ratio	0.7	0.7
Debt/Equity ratio	2.9	2.7
Asset turnover	0.7	0.4
Current ratio	0.8	0.7
Book value per share, LTL	6.9	8.2
Net profit per share (EPS), LTL	0.2	0.1

On 16 August 2007, the Board of AB “Vilniaus Baldai” approved the adjusted projections of the Company’s activities in 2007:

1. Sales – LTL 158.34 m
2. Net profit – LTL 3.52 m
3. EBITDA – LTL 15.17 m

Adjustments made to the previously announced projections of AB “Vilniaus baldai” are as follows: sales – LTL 139.5 million, net profit – LTL 0.5 million, and EBITDA – LTL 12.7 million.

12. Material events during the first six months of the financial year

The sales of the first quarter of 2007 of AB “Vilniaus baldai” amounted to LTL 33,958 thousand (compare to LTL 26,416 thousand during the same period in 2006). In January–March 2007, the Company’s profit before taxes totalled LTL 155 thousand; during the same period in 2006 it was LTL 968 thousand.

On 12 April 2007, the Annual General Meeting of AB “Vilniaus baldai” shareholders was held. The meeting resolved to:

- Taking into consideration the auditor’s report, approve the Annual Report of the Company and its financial statements for the year 2007.
- Approve the Company’s profit appropriation for the year 2007 as follows:
 - Retained earnings at the beginning of the financial year: LTL 5,849,302
 - Net loss of the financial year 2006: LTL (5,316,927)
 - Result for appropriation: LTL 532,375
 - Transfers from reserves: LTL 387,338
 - Profit to be appropriated: LTL 919,713
 - Shareholders’ contributions to cover losses
 - Profit allocation to the legal reserve: -
 - Profit allocation to other reserves: -

- Profit allocation for payment of dividend: -
 - Profit to be distributed as annual payments (tantiemes) to members of the Board: -
 - Retained earnings brought forward to the next financial year: LTL 919,713
- After the withdrawal of Alvydas Banys, Algirdas Bučas and Dailius Juozapas Mišeikis from the Board, the Board of the new composition was elected, including Vytautas Bučas (Chairman), Darius Šulnis and Raimondas Rajeckas.

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 thousand (LTL 52,658 in the same period of 2006).

Net profit of AB “Vilniaus Baldai” during January–July of 2007 was LTL 674 thousand. In the calculation of the Company’s semi-annual net profit a loss of LTL 796 thousand 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 million, which a year ago was LTL 6.63 million.

13. Information about major transactions of connected parties

Transactions of connected parties as of 30.06.2007, LTL thousand

	Purchases	Amounts payable	Repaid debt	Interest paid
AB “Invalda”		15,434	955	564
UAB “Girių Bizonas”	5,596	1 519	-	-
AB FMĮ “Finasta”	7	3	-	-
UAB “Inred”	122	90	-	-
UAB “InReal”	7	-	-	-
UAB “Ari-Lux”	391	-	-	-