PUBLIC COMPANY "VILNIAUS BALDAI"

Financial statementt for the half- year 2007

INTERMEDIATE FINANCIAL STATEMENT FOR THE FIRST HALF YEAR 2007

The auditors reviewed the financial statements of 31 December 2006, while those of 30 June 2007 and 30 June 2006 are unaudited.

Balance Sheet

LTL thousand

	30-06-2007	**31-12 2006**	**30-06-2006**
ASSETS			
NON-CURRENT ASSETS:			
Non-current tangible assets	57 140	61 231	65019
Intangible assets	272	376	437
Investment	24 340	25 058	24 561
TOTAL NON-CURRENT ASSETS	81 752	86 665	90 017
CURRENT ASSETS			
Inventories	12 879	13 607	17 474
Trade debtors	9 404	6 969	8 071
Other accounts receivable	1 871	2 605	2 410
Cash and Cash Equivalents	14	15	35
TOTAL CURRENT ASSETS	24 168	23 196	27 990
TOTAL ASSETS	105 920	109 861	118 007
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	15 545	15 545	15 545
Revaluation reserve	8 554	8 554	8 755
Legal reserve	1 222	1 222	1 222
Retained earnings	1 594	920	6 454
TOTAL CAPITAL AND RESERVES	26 915	26 241	31 976
NON-CURRENT LIABILITIES			
Deferred tax liabilities	1 744	1 744	2 046
Loans and other interest bearing payables	45 051	46 007	41 483
TOTAL NON-CURRENT LIABILITIES	46 795	47 751	43 529
TOTAL CURRENT LIABILITIES			
Loans and other interest bearing payables	13 966	18 692	23 964
Debts to Suppliers	13 430	12 908	13 607
Other liabilities	4 814	4 269	4 931
TOTAL CURRENT LIABILITIES	32 210	35 869	42 502
TOTAL LIABILITIES	79 005	83 620	86 031
TOTAL EQUITY AND LIABILITIES	105 920	109 861	118 007

Income Statement

LTL thousand

	6 MONTHS 2007	6 MONTHS 2006
TURNOVER	74 343	52 658
Production costs	(66 562)	(47 165)
GROSS PROFIT	7 781	5 493
Distribution costs	(541)	(590)
Administrative costs	(3 330)	(2 577)
Other operating income, net	(321)	(85)
PROFIT FROM OPERATING ACTITIVITIES	3 589	2 239
Financial income, net	(1 806)	(1 433)
Operating result of the associated firm	(734)	(235)
PROFIT BEFORE TAXES	1 049	571
Income tax	(375)	(153)
NET ANNUAL PROFIT	674	418
Earnings per share	0,17	0,11

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					
NET PROFIT (LOSS) 30.06.2007				674	674
CAPITAL AND RESERVES AS OF 30 JUNE 2007	15 545	1 222	8 554	1 594	26 915

Cash Flow Statement

LTL thousand

	30-06- 2007	30-06 2006
Result after taxes	674	418
Adjustments:		
Depreciation and amortisation	4 373	4 388
Result from investing activities	0	235
Sale, writing off, etc. of non-current tangible assets	1	0
Deferred taxes	0	0
Provisions for outdated inventories	0	0
Provisions for problematic amounts receivable	0	0
Amounts accrued to cover tax liabilities	0	153
Holiday pay reserve	0	0
Financial income and costs	2 517	1 433
Cash flow from ordinary activities before changes in working capital	7 565	6 627
Changes in trade receivables and other amounts receivable	(1 611)	900
Changes in inventories	728	(2 702)
Changes in debts to suppliers and other liabilities	616	(272)
Cash flow from operating activities	7 298	4 553
Income tax paid	375	(446)
CASH FLOW FROM OPERATING ACTIVITIES	7 673	4 107
Acquisition of non-current assets	(398)	(298)
Acquisition of investments	(14)	0
Result from investing activities	0	(235)
Capitalisation of non-current intangible assets	0	(129)
Sale/writing off of non-current tangible assets	204	37
Dividend and interest received	0	0
CASH FLOWS FROM INVESTING ACTIVITIES	(208)	(625)
Dividend paid	(5)	0
Loans received/repaid	(5 682)	1851
Interest paid	(1 780)	(1420)
CASH FLOWS FROM FINANCING ACTIVITIES, NET	(7 467)	(3 455)
CASH FLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES	(2)	27
Cash and cash equivalents as of 1 January 2007	15	8
CASH AND CASH EQUIVALENTS AS OF 30 JUNE 2007	13	35

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 30 June 2007, the Company employed 811 people (on 30 June 2006, there were 944 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 couse of business, less the cost completion, marketing and distribution. Cost isdetermined 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:

	Sales		Total assets	
LTL thousand	**6 months 2007**	**6 months 2006**	**6 months 2007**	**6 months 2006**
Lithuania	1 464	3 472	105 920	118 007
EU countries	47 180	35 073	0	0
Other countries	25 699	14 113		
	74 343	52 658	105 920	118 007

Distribution costs

	6 months 2007	**6 months 2006**
	LTL thousand	LTL thousand
Remuneration and social insurance	402	349
Export costs (transportation)	32	67
Depreciation	71	64
Business trips	6	11
Advertising	5	6
Other	25	93
	541	590

Administrative costs

	6 months 2007	**6 months 2006**
	LTL thousand	LTL thousand
Remuneration and social insurance	1 532	1 195
Depreciation	227	247
Employee training and other	372	259
Utilities and communication	224	117
Amortization	125	112
Insurance	54	90
Business trips	69	33
Bank services	26	15
Repairs and maintenance costs	28	9
Professional services	10	6
Other	663	426
	3 330	2 577

Income from ancillary activities, net

	6 months 2007	**6 months 2006**
	LTL thousand	LTL thousand
Lease income	126	177
Sale of waste materials	63	31
Written off problematic debts	(278)	(136)
Other income and losses	(232)	(159)
	(321)	(87)

Financial income, net

	6 months 2007	6 months 2006
	LTL thousand	LTL thousand
Bank loan interest costs	(1 780)	(1 420)
Amortisation of future income	0	0
Currency exchange profit, less loss	(3)	(32)
Other income and losses	(757)	(216)
	(2 540)	(1668)

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	30.06.2007	30.06.2006
Net annual profit	674	418
Weighted average number of the shares (thou)	3 886	3 886
Earnings per share (LTL)	0.17	0.11

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	142	8	134	140	424
Sales	(355)	(4)	(105)	0	0	(464)
Writing off	0	(43)	0	(2)	0	(45)
Regrouping	0	65	0	(65)	0	0
Costs as of 30 June	31 657	62 201	1 014	3 177	248	98 297
Depreciation as of 1 January	8 759	26 154	499	1 741	0	37 153
Depreciation during half of the year	441	3 591	65	205	0	4 302
Sales	(193)	(2)	(58)	0	0	(253)
Writing off	0	(43)	0	(2)	0	(45)
Regrouping	0	0	0	0	0	0
Depreciation as of 30 June	9 007	29 700	506	1 944	0	41 157
NET CARRYING VALUE AS OF 30 JUNE	22 650	32 501	508	1 233	248	57 140
NET CARRYING VALUE AS OF 1 JANUARY	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	30.06.2007	30.06.2006
Production and product development costs	4 004	3 966
Sales, administrative and other costs	298	311
TOTAL	4 302	4 277

Investments

	30.06.2007	30.06.2006
	LTL thousand	LTL thousand
Shares of UAB "Girių Bizonas"	26 250	24 557
Shares of UAB "Ari-Lux"	16	2
Other	2	1
Impact of the equity method	(1928)	
NET CARRYING VALUE AS OF 30 JUNE	24 340	24 560

Inventories

	30.06.2007	30.06.2006
	LTL thousand	LTL thousand
Raw materials	9 506	9 134
Production in progress	2 209	2 901
Finished products	1 122	5 306
Goods for resale	40	133
NET CARRYING VALUE AS OF 30 JUNE	12 879	17 474

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

Other accounts receivable

	30.06.2007	30.06.2006
	LTL thousand	LTL thousand
Advance income tax	315	1 121
Loan to supplier	0	375
Amounts receivable from the state (VAT recoverable)	1 050	926
Other amounts receivable and future costs	506	522
NET CARRYING VALUE AS OF 30 JUNE	1 871	2944

Cash and cash equivalents

	30.06.2007	30.06.2006
	LTL thousand	LTL thousand
Cash in banks	6	32
Cash on hand	8	3
Cash and cash equivalents at the end of the period	14	35

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

	30.06.2007	30.06.2006
	LTL thousand	LTL thousand
NON-CURRENT LIABILITIES		
Long-term loan	29 617	46 363
NET CARRYING VALUE AS OF 30 JUNE	29 617	46 362
SHORT-TERM LIABILITIES, SECURED WITH PLEDGED ASSETS		
Current portion of loans	13 876	4 900
NET CARRYING VALUE AS OF 30 JUNE	13 876	4 900

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 14 447 thousand and matures on 25 February 2007. The annual interest rate on the credit equals 6 months’ VILIBOR + 1.3%.

On 27 Novenber 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 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 14 447 thousand and matures on 25 February 2007. The annual interest rate on the credit equals 6 months’ VILIBOR + 1.3%.

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

LTL thousand	Total amount payable as of 30 June 2007	7 – 12 2007	2008	2009-2012
Loan of EUR 2 540 thousand	4 521	850	1 642	2 029
Loan of EUR 9 369 thousand	28 255	2 309	8 657	17 289
Used credit of LTL 12,500 thousand	10 717	7 717	3 000	0
TOTAL	43 493	10 876	13 299	19 318

Other creditors

	30.06.2007	30.06.2006
	LTL thousand	LTL thousand
Holiday pay reserve	983	983
Remuneration	1 294	858
Operating taxes	203	132
Social insurance	564	548
Dividend for the previous year	3	37
Income tax liability	375	153
Other accounts payable and accrued taxes	1 392	1 919
NET CARRYING VALUE AS OF 31 MARCH	4 814	4 931

Personnel costs

	30.06.2007	30.06.2006
	LTL thousand	LTL thousand
Production and product development costs	10 843	9 621
Sales, administrative and other costs	1 934	1 543
	12 777	11 164

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 30 June 2007 may be broken down as follows:

LTL thousand	EUR	USD	SEK	Other

Trade debtors	149	59	0	0
Cash		0	0	0
Borrowings	(32776)	0	0	0
Debts to suppliers	(2 512)	0	(1 320)	0
	(35 139)	60	(1 320)	0

Interest risk

VILIBOR and EURIBOR related floating interest rates are applied to the loans extended to the Company. As of 30 06 2007, the Company used no financial instruments as interest risk hedging.