

Public company “Vilniaus baldai”

Annual Prospectus–Report for the year 2006

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I. GENERAL PROVISIONS

1. Reporting period covered by this Annual Prospectus–Report

The Annual Prospectus–Report has been drawn up for the year 2006.

2. Main data about the issuer

Name of the company	Public company (AB) “Vilniaus baldai”
Code	121922783
VAT payer’s code	LT219227811
Authorized capital	LTL 15,545,068 divided into 3,886,267 ordinary registered shares of LTL 4 nominal value
Address	Savanorių St. 178, LT-03154 Vilnius
Telephone	(+370~5) 252 57 00
Fax	(+370~5) 231 11 30
E-mail address	info@vilniausbaldai.lt
Internet website	www.vilniausbaldai.lt
Legal and organisational form	Legal person of limited liability; public company
Date and place of registration	9 February 1993; Vilnius Municipality Board
Register, in which data about the company are stored	Register of Legal Entities

3. Type of the issuer’s principal activities

The Company belongs to the sector of furniture manufacturing. Main areas of activity include design, manufacturing and sale of office, bedroom, living room and hall furniture.

4. Information about where and how one can access the Report, supporting documents and the designation of the means of mass media to make information public

The Report and the supporting documents, on the basis of which it has been drawn up, can be accessed at the Company’s registered office at Savanorių St. 178, Vilnius, and in the financial brokerage firm AB “Finasta”, Konstitucijos St. 23, 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.

5. Persons responsible for the accuracy of the information in the Report

5.1. 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

5.2. The Report has been drawn up by Asta Krušnauskaitė, a financial broker with the brokerage firm AB “Finasta” (Konstitucijos St. 23, Vilnius, tel. (+370~5) 278 68 44, fax. (+370~5) 210 24 74), on the basis of the information submitted by the Company.

6. 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"



The financial brokerage firm AB "Finasta", represented by Asta Krušnauskaitė, a financial broker, confirm that the Report contains accurate information as presented to AB "Finasta" by the employees and managers of AB "Vilniaus baldai". AB "Finasta" is responsible for the proper disclosure of the presented facts. AB "Vilniaus baldai" is responsible for the accuracy of the information.

Asta Krušnauskaitė, financial broker of AB FMĮ "Finasta"



Date of signing of the Report: 11 May 2007.

Place of drawing up of the Report: AB FMĮ "Finasta" (Konstitucijos St. 23. Vilnius)

II. DATA ABOUT THE ISSUER'S AUTHORIZED CAPITAL AND THE SECURITIES ISSUED

7. The issuer's authorized capital:

7.1. The authorized capital as registered in the Register of Legal Entities

Table 7.1.1. Composition of the authorized capital.

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

All shares of AB “Vilniaus baldai” are fully paid up.

7.2. Information about the projected increase of the authorized capital in connection with conversion or exchange of convertible debt securities or derivative securities into shares:

AB “Vilniaus baldai” has issued no debt securities or derivatives convertible into shares.

8. Shareholders

The Annual General Meeting (AGM) of AB “Vilniaus baldai” shareholders was held on 12 April 2007. The meeting's registration date: 3 April 2007. The total number of shareholders: 1 144.

Table 8.1. Shareholders who held title to more than 5 % of the issuer's authorized capital or votes on the AGM Day.

Name of the shareholder (type, address of registered office and code of the enterprise)	Number of ordinary registered shares the shareholder holds by the right of ownership, units	Portion of the authorized capital held, %	Portion of the votes attaching to the shares held by the right of ownership, %	Portion of votes held by the shareholder together with the persons acting in concert, %
AB Invalda Šeimyniškių St. 3, Vilnius 121304349	2,549,996	65.62	65.62	----
Hansabank Clients Liivalaia 8, 15040 Tallinn, Estonia 10060701	314,663	8.10	8.10	----

9. Main characteristics of the shares issued for public trading

On 6 May 1994, the Lithuanian Securities Commission registered an issue of 2,340,592 ordinary registered shares of LTL 1 nominal value of AB “Vilniaus baldai” (Share Registration Certificate No. AB–681, registration of the securities issue No. A01010270). The shares were issued as a result of the privatisation of a state enterprise and an increase in the authorized capital of LTL 1,840,592 to LTL 2,340,592.

On 21 October 1994, the Lithuanian Securities Commission registered a new issue of 1,500,000 ordinary registered shares of LTL 1 nominal value (Share Registration Certificate No. AB–1105, registration number of the securities issue is No. A01020270). The securities were issued to increase the authorized capital from LTL 2,340,592 to LTL 3,840,592.

After the Company's AGM had adopted a resolution to increase the nominal value of the shares from LTL 1 to LTL 4 on 22 March 1996, an issue of 3,541,985 ordinary registered shares of LTL 4 nominal value was

registered with the Lithuanian Securities Commission on 31 May 1996 (Share Registration Certificate No. AB–3213, registration of the securities issue No. A01020270). The securities were issued in the process of privatisation of a state enterprise in order to increase the authorized capital from LTL 1,840,985 to LTL 14,167,940, including LTL 500,000 from the profit reserve fund, additional contributions in the amount of LTL 1,500,000, and LTL 10,625,955 from the revaluation reserve. Resolutions No. AB–681 of 6 May 1994 and No. AB–1105 of 21 October 1994 of the Lithuanian Securities Commission were recognised invalidated.

On 23 August 1996, the Lithuanian Securities Commission registered an issue of 344,282 ordinary registered shares of LTL 4 nominal value (Share Registration Certificate No. AB–3493, registration of the securities issue No. A0104070). On 25 April 1996, the securities were issued to increase the authorized capital from LTL 14,167,940 to LTL 15,545,068 in the manner established by Resolution 493 of the Government of the Republic of Lithuania.

10. Data about the shares offered for private placement

There have been no private placements of shares.

11. Information about depositary receipts representing shares

No depositary receipts representing shares have been issued.

12. Main characteristics of the debt securities issued for public trading

No debt securities have been issued for public trading.

13. Data about the debt securities offered for private placement

No debt securities have been offered for private placement.

14. Securities not representing the capital, the trading whereof is regulated by the Law on Securities, except debt securities

There have been no issues of securities not representing the capital, the trading whereof is regulated by the Law on Securities.

III. DATA ABOUT THE SECONDARY TRADING IN THE ISSUER'S SECURITIES

15. Securities admitted to the trading lists of the stock exchanges

The ordinary registered shares of AB “Vilniaus baldai” are listed on the Official List of the Vilnius Stock Exchange (hereinafter – the VSE).

Table 15.1. Main characteristics of the shares of AB “Vilniaus baldai”

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

16. Trading in the issuer's securities on the VSE and other organized markets

16.1. Trading on the VSE

Table 16.1.1. Trading in the Company's ordinary registered shares in 2004–2006

Reporting period	Price, LTL			Turnover, LTL			Date of the last session	Total turnover	
	Highest	Lowest	Last session	Highest	Lowest	Last session		Units	LTL
2004, 1 st quarter	24.98	18.65	24.80	326,724.30	0	14,902.50	31.03.2004	164,915	3,637,618.25
2004, 2 nd quarter	25.81	22.50	24.40	333,106.50	0	73.20	30.06.2004	53,141	1,297,702.15
2004, 3 rd quarter	30.81	23.00	29.00	204,930.95	0	11,772.00	30.09.2004	43,235	1,121,881.94
2004, 4 th quarter	37.20	29.30	37.00	76,855.40	0	2,368.00	31.12.2004	42,663	1,375,668.84
2005, 1 st quarter	47.50	36.00	40.85	227,964.00	0	6,060.20	31.03.2005	63,967	2,585,964.57
2005, 2 nd quarter	41.00	37.20	37.80	309,131.95	0	7,560.00	30.06.2005	34,423	1,353,014.37
2005, 3 rd quarter	39.00	34.00	36.50	402,632.50	0	402,632.50	30.09.2005	66,328	2,417,988.16
2005, 4 th quarter	37.00	33.33	36.00	413,720.80	0	0	30.12.2005	53,487	1,925,289.47
2006, 1 st quarter	37.02	30.30	35.00	235,416.00	0	0	31.03.2006	48,331	1,649,973.80
2006, 2 nd quarter	34.90	17.00	20.00	148,951.11	0	2,000.00	30.06.2006	45,467	1,113,294.49
2006, 3 rd quarter	24.00	17.76	18.26	481,823.00	0	92,423.00	29.09.2006	59,851	1,197,755.55
2006, 4 th quarter	19.98	17.51	18.10	628650.54	0	0	29.12.2006	51,138	926,411.73



Fig. 16.1. Trading in the Company's shares in the period of 01.01.2004 – 31.12.2006

16.2. Trading on other exchanges

Shares of AB "Vilnius baldai" are not traded on any other exchange.

16.3. Trading on other organised markets

Shares of AB "Vilnius baldai" are not traded on any other organised markets.

17. Capitalization of securities

Table 17.1. Capitalization of the Company's shares

Date of the last session	Capitalization (LTL)
31.03.2004	96 379 421.60
30.06.2004	94 824 .914.80
30.09.2004	112 701 743.00
31.12.2004	143 791 879.00
31.03.2005	158 754 006.95
30.06.2005	146 900 892.60
30.09.2005	141 848 745.50
31.12.2005	139 905 612.00
31.03.2006	136 019 345.00
30.06.2006	77 725 340.00
30.09.2006	70 963 235.42
31.12.2006	70 341 432.70

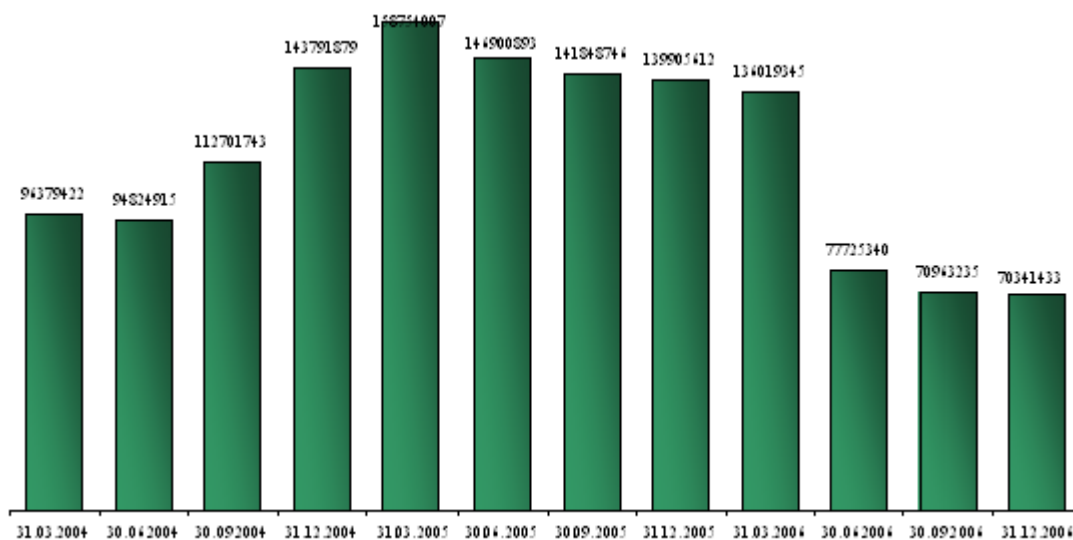


Fig. 17.1. Capitalisation of the Company's shares, LTL

18. Trading in the issuer's securities on the OTC market

Table 18.1. OTC transactions in the ordinary registered shares of AB “Vilniaus baldai”

Reporting period	Settlement in cash					Settlement in kind	
	Price, LTL		Price, LTL	Amount, LTL	Number of trades	Number of shares	Number of trades
	Highest	Lowest					
31.03.2004	18.11	8.80	50 966	645 851	20	660	6
30.06.2004	17.00	7.00	223 828	2 049 466	15	127	1
30.09.2004	17.80	11.22	4 056	57 453	4	1 357	6
31.12.2004	22.75	7.18	141 861	2 298 467	15	1 596	5
31.03.2005	31.50	11.82	32 137	632 016	8	646	2
30.06.2005	28.60	17.01	53 073	1 396 781	12	121 615	8
30.09.2005	33.07	19.47	78 529	1 816 214	8	81	1
31.12.2005	28.30	24.00	126 704	3 253 683	18	150	1
31.03.2006	28.89	24.50	96 176	2 417 400	6	1 802	7
30.06.2006	27.00	14.50	99 860	1 670 738	5	10 084	25
30.09.2006	27.62	14.40	207 283	3 237 425.67	11	884	6
31.12.2006	28.18	11.00	433 578	5 357 273.32	12	820	5

19. Data about the issuer's buying up of own shares

No buying up of own shares has been carried out by AB “Vilniaus baldai”.

20. Indication of a tender offer

No tender offer to acquire shares of AB “Vilniaus baldai” was made in 2006. Neither did the issuer announce a tender offer to acquire securities issued by other entities.

21. The issuer's paying agents

AB “Vilniaus baldai” and the financial brokerage firm AB “Finasta” (Konstitucijos St. 23, Vilnius; tel. (+370~5) 278 68 33) have signed an agreement concerning payment of dividends to the shareholders for the financial years 2002–2005.

22. Agreements with intermediaries of public trading in securities

AB “Vilniaus baldai” has signed an agreement with the financial brokerage firm AB “Finasta” (Konstitucijos St. 23, Vilnius; tel. (+370~5) 278 68 33) concerning management of securities accounting and drawing up of the periodical reports.

IV. DATA ABOUT THE ISSUER'S ACTIVITY

23. Legal basis for the issuer's activity

The Company is operating in compliance with the provisions of the Law on Companies, the Law on Securities, other legal acts of the Republic of Lithuania and its By-laws.

24. Membership in associated structures

AB “Vilniaus baldai” is a member in the following associated structures:

Lithuanian Association of Wood Industry Companies “Lietuvos mediena” (“Lithuanian Wood”). The Association was founded in May 1993. It unites producers and distributors of Lithuanian wood products. The Association aims at ensuring a successful development of the wood industry in Lithuania. AB “Vilniaus baldai” participates in the activities of the Association and pays the membership fee.

Lithuanian Confederation of Industrialists. The founding congress of the Lithuanian Association of Industrialists was held on 17 June 1989. In 1993, the Association was reorganised into the Lithuanian Confederation of Industrialists (LCI). Today the LCI embraces 39 industry and 8 regional associations, uniting more than 2 700 enterprises of various types.

The key objectives of the Confederation are to:

- represent and protect interests of the LCI members in the governmental, social and international organisations;
- enhance the economy of Lithuania; to assist companies in searching for new markets and create most beneficial conditions for the export of Lithuanian products;
- seek compliance with ecological requirements in Lithuania;
- protect social and legal interests of Lithuanian employers and strengthen a social dialogue;
- develop relations with international industry, business and employer organisations.

AB “Vilniaus baldai” participates in the activities of the LCI and pays the membership fee.

Vilnius Chamber of Commerce, Industry and Crafts. The Vilnius Chamber of Commerce, Industry and Crafts was registered on 25 April 1996 and acts in Vilnius and Alytus counties. It is a voluntary association of legal and natural persons, performing economic activities under the laws of the Republic of Lithuania; it is a non-profit organisation. The Vilnius Chamber of Commerce, Industry and Crafts informs its members about business proposals of foreign companies, fairs and exhibitions abroad, draws up and publishes a collection of proposals by Lithuanian firms for foreign partners (in English and Russian), consults and assists the members searching for business contacts abroad, selects experts to determine the quality, amount and complexity of goods, consults on issues of arbitration and start-ups, carries out market research on the orders of Lithuanian and foreign companies, etc.

AB “Vilniaus baldai” participates in the activities of the Chamber and pays the membership fee.

AB “Vilniaus baldai” takes no part in the capital of the members of these organisations and is not aware of the participation of other members of the organisations in the authorized capital of the Company.

25. Brief description of the issuer's history

The history of the public company “Vilniaus baldai”, the oldest furniture manufacturer in Vilnius, goes as far back as 1883. It started with the former Vainikas’ sawmill opened in Lentpjūvių street (currently the territory of the Parliament) that was nationalised in 1940. At the beginning of 1941, the premises of the former leather factory in Užupis district were turned into a furniture shop to remain in operation for thirty

years. After World War II the furniture industry in Vilnius was concentrated in the area of a few former sawmills. In 1960, the factory's producing area occupied 3,900 sq. meters. Later, starting from 1963, production and administrative buildings were erected at 178 Savanorių St., occupying an area of 31 thousand sq. meters. They house modern machinery and several production lines.

In 1998, the Company started cooperation with the Swedish concern IKEA and launched the production of board on frame (honey comb board) in Lithuania. As a result, the production volume and the number of employees increased considerably, the Company became one of the largest furniture exporters in Lithuania.

In April 2004, the Company changed its name from "Vilnius furniture factory" to "Vilniaus baldai". The decision to change the Company's name into a shorter one was prompted by the Company's vision and the goals to bring in more transparency and flexibility, as well as by an attempt to give up the soviet stereotype in favour of the Western trends in the market.

For the last few years, the public company "Vilniaus baldai" has successfully worked in accordance with the certified quality management standard ISO 9001. The Company makes regular efforts to improve the quality of the furniture produced: it analyses and evaluates the expectations of the consumers, searches for the ways and means to make the production process more effective and flexible in order to satisfy the customer demands.

Environmental issues are among the Company's priorities, therefore, it introduced the environment protection management system in compliance with ISO 14001. Environment protection management and its constant improvement are in the focus of this system. The Company has been pursuing a targeted policy of ecologisation of production, efficient management of the environmental impact of the materials and raw materials used, and ensuring that the product and service providers comply with the environmental management requirements.

The year 2005 was of particular importance to AB "Vilniaus baldai". In spring, the expansion of production capacities, begun in 2004, was completed. We opened a new furniture production unit, which allowed us to increase the production volume and sales, to satisfy the customer needs in a more flexible way by offering all types of flat pack furniture for the office, bedroom, living-room and hall from menaline, particile board and veneer.

The Company bought machinery from an English furniture factory that went bankrupt and assembled it in the new unit in the premises bought from the company "Vilmakas" after its liquidation. The new premises underwent major renovation and repairs, with fully operational honey comb board technology aquired from well-known European producers Burkle, Homag, Wikoma and others. All production area of the Company covers a territory of 48 thousand sq. meters.

At the end of 2006, the Company started a reconstruction with a focus on cost efficiency and production capacity.

26. Characteristics of the production

AB "Vilniaus baldai" designs and produces mass flat pack furniture. The products are made from particle board using the honey comb technology, the most advanced technology in Western countries. This technology allows producing lighter furniture of an even more solid look. Under this technology the consumption of raw materials reduces while the quality of the products remains the same. Every year the Company develops a new collection, taking due regard to the consumer needs and most recent trends. The Company is also implementing a new planning system.

Modern machinery purchased from such world-known producers as Holzma, Homag, Burkle, Weeke, Wikoma and others allows producing all kinds laminated veneer and lackered furniture.

While producing flat pack furniture, the Company focuses on mass and serial production and sells pieces of furniture via sales partners that meet the main requirement to ensure large sales within a limited selection of products.

Table 26.1. Production volume of the main products in value terms, 2004–2006

Products	2004		2005		2006	
	LTL thou	%	LTL thou	%	LTL thou	%
Furniture	98,413	99.54	110,502	99.65	105,845	98.47
Other	459	0.46	388	0.35	1,644	1.53
Total	98,872	100.00	110,890	100.00	107,489	100.00

Table 26.1. Production volume of the main products in kind, 2004–2006

Product type	2004	2005	2006
Tables	2,561	184	91
Wardrobes	125,012	108,463	117,870
Cupboards	3,310	687	43
Unit furniture	306	34	0
Beds	107,746	113,538	75,417
Chests of drawers	11,237	22,523	43,056
Bookshelves and structures	29,975	36,614	40,701

Table 26.3. Average product price (excl. VAT) in 2004–2006, LTL

Product	2004	2005	2006
Wardrobes	455	455	432.25
Beds	-	188.52	188.52
Shelves	10	10	10.08
Structures	-	192.73	192.73

Table 26.4. Ratios characterizing the issuer's performance in 2004–2006

	2004	2005	2006
Profit margin= net profit / sales * 100	8.02 %	3.11 %	-4.82 %
Return on assets= net profit / (assets at the beg. of period + assets at the end of period) / 2 * 100	11.78 %	3.48 %	-4.67 %
Return on Equity ROE = net profit / equity	22.46 %	9.73 %	-20.26 %
Net profit per share= net profit / number of shares	2.07	0.89	-1.37
Debt ratio = liabilities / assets	0.55	0.70	0.76
Debt-equity ratio= liabilities / equity	1.23	2.34	3.19
Current Ratio= current assets / current liabilities	0.81	0.88	0.65
Asset turnover = sales / assets	1.26	0.94	1.00
Book value per share= equity / number of shares	9.23	9.12	6.66
Turnover (LTL thou)	100,472	110,849	110,289
Gross profit (LTL thou)	19,376	13,756	6,420
Net profit (tūkst. Lt)	8,054	3,446	-5,317
EBITDA (LTL m)	13.6	11.7	6.0
Dividend per share (for the previous reporting period), LTL	1	1	1
Price/earnings per share P/E	17.87	40.4	-13.2
Lowest share price, LTL	18.65	33.33	17.00
Highest share price, LTL	37.20	47.50	37.02
Closing price, LTL	37.00	36.00	18.10
Capitalisation (LTL thou)	143,792	139,906	70,341

27. Sales markets

Most often the Company's products are sold on the basis of long-term agreements. Yet, short-term agreements are also concluded with the clients.

In 2006, the sales of AB "Vilniaus baldai" amounted to LTL 110,289 thousand. Starting from the middle of 2005, the sales in Lithuania are carried out through a sales partner, UAB "Baldai plius".

In 2006, the Company sold the largest portion (81 %) of the products to its major partner, the Swedish concern IKEA, operating one of the largest retail networks in the world.

Table 27.1. Company's sales by markets, 2004–2006

	2004		2005		2006	
	LTL thou	%	LTL thou	%	LTL thou	%
Lithuania	3,958	3.9	2,829	2.6	5 348	4.8
Foreign markets	96,514	96.1	108,020	97.4	104,941	95.2
Total	100,472	100.0	110,849	100.0	110,289	100.0

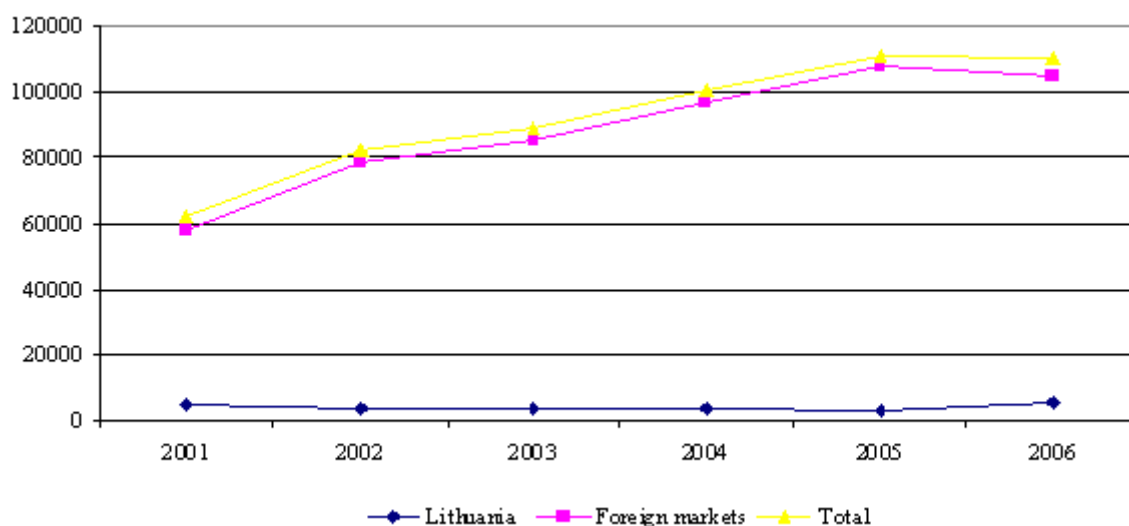


Fig. 27.1. The Company's sales in 2001–2006, LTL

28. Procurement

AB "Vilniaus baldai" concludes long-term agreements with its suppliers. Alternate suppliers have been selected to ensure supply of the most strategic material, most of which is bought from the local producers in Lithuania, mainly UAB "Girių bizonas" and AB "Grigiškės". Local supplies of raw materials are based on lower transportation costs and good relations with major suppliers.

Table 28.1. Procurement by countries

Type of raw material	key suppliers (countries)
Edge veneer	Germany (18 %), Lithuania 82 %)
Chip-board	Lithuania (99 %), Germany (1 %)
Beaver-board	Lithuania (100 %)
Laminated panel	Lithuania (100 %)
Sliced veneer	Germany (17 %), France (16 %), Estonia (32 %), Poland (35 %)

ABS edge band	Germany (100 %)
Corrugated paper	Lithuania (100 %)
Packing paper	Lithuania (100 %)
Varnish	Sweden (42 %), Germany (58 %)
“Cascorit“ adhesives	Sweden (100 %)
Hardeners	Sweden (100 %)
Thinners, solvents	Sweden (100 %)
Glue	Lithuania (100 %)
Enamel	Sweden (100 %)
Furniture glass	Lithuania (100 %)
Mirrors	Lithuania (70 %) Sweden (30 %)
Abrasive paper	Sweden (100 %)
Abrasive cloth	Sweden (26 %) Lithuania (74 %)
Honey comb	Italy (100 %)

29. Immovable property and other main facilities

The Company covers an area of 7.95 ha at Savanorių St. 178 and 3.52 ha at Savanorių St. 197. The land lots are in a busy area, in the South-West of Vilnius. The enterprise has convenient road access and a railway track.

Table 29.1. Main buildings and constructions and their value

Buildings and constructions	Year of building	Acquisition costs, LTL thou	Residual value 31/12/2005, ltl thou	residual value 31/12/2006, ltl thou
Furniture production unit 3G1/b (CNo.1)	1973	2,831.6	2,413.8	2,327.5
Furniture production unit 3G1/b (CNo.3)	1973	4,251.3	3,304.3	3,186.2
Furniture production unit 3G1/b (CNo.9)	1973	1,023.7	709.2	683.9
Wood processing unit 8P1b	1977	4,126.8	4,024.7	3,906.0
Wood processing unit 2P1b	1966/1978	1,274.9	1,237.9	1,201.5
Administration building 14B2b	1977	1,424.4	1,354.7	1,306.3
Warehouses 5F1b	1976	1,107.3	874.9	468.7
Administration section 1B 9/b	1973	5,559.7	3,092.8	2,982.3
Administration section 17E 3pb	1973	2,633.1	1,548.9	1,493.6
Total		24,232.8	18,561.2	17,556.00

Table 29.2. Major equipment and their value

Technological equipment	Acquisition costs, LTL thousand	Residual value 31/12/2005, LTL thousand	Residual value 31/12/2006, LTL thousand
Edge processing line BIESSE	2,865.2	2,583.2	2,164.3
Drilling machine BST 500	502.1	148.8	74.4
Production line <i>Holzma</i>	983.0	834.5	735.3
Edge banding machines IMA	586.9	469.6	410.9
Press <i>Senerskov</i>	2,397.0	1927	1,686.1
Sanding machines HEESEMANN	538.6	443.3	375.9
Drilling machine BST 500 D	536.2	403.8	482
High-speed drilling line BIESSE FDT CNC	293.3	279.1	279
CEFLA finishing line	1,751.3	586.5	293.3
Drilling machine BST500 D	517.8	222.2	168.3
Automatic panel saw SELCO WN 600	822.0	737.4	617.8

Rear-Loading Panel Saw OPTIMAT	809.9	551.3	469.6
Edge-banding line HOMAG	4,316.0	4,145.9	3,709.5
Drilling machine BST 500 D	547.7	513.4	374.5
Bare fibre polishing machinery Buerkle	2,668.6	2,625.6	2,317.7
Polishing line Buerkle uni-color	2,591.0	2,591.0	2,331.9
Sanding machine Heesemann LSM8	637.6	637.6	573.8
Total	23,588.4	19,700.2	17,064.3

30. Risk factors related to the issuer's activity

Economic risk factors. In 2006, the sales of AB “Vilniaus baldai” to the main client, the Swedish concern IKEA, accounted for 81.5 % of all sales volume (75 % in 2005 and 80 % in 2004). The Company concludes short-term agreements with this partner and has no guarantee as to the volume of sales and prices in 2007.

The Company competes with global furniture producers, including those in China. Among the advantages in respect to the latter are a good geographical location, logistics (a shorter term of delivery) and high quality of the production.

The Company’s liquidity and quick ratios as of 31 December 2006 were 0.65 and 0.27 respectively (0.88 and 0.36 as of 31 December 2005 respectively).

Political risk factors. Essential changes in the business environment are associated with the country’s tax reform. For two years the corporate profit will be subject to an additional social tax under the temporary Law on Social Tax of the Republic of Lithuania, passed in 2005. Pursuant to this Law, starting with the year 2006, an additional tax of 4 % is imposed on the corporate profit; in the year 2007, this tax will amount to 3 %. That has a direct impact on the Company’s net profit. However, there are no claims or restrictions set forth by the state.

Social risk factors. In recent years the labour costs have increased considerably in Lithuania, which requires enhancement of work efficiency in the Company. Much attention is given to the improvement of the working conditions and training of the staff. The expanding production capacity and growing sales allow increasing wages and salaries. In 2006, the wages and salaries of the Company’s staff went up by 9.2 % on average. The trade union is an active representative of the interests of the employees.

Technical and technological risk factors. The Company boasts of the most state-of-the-art machinery. There is a need to further modernise ancillary processes. Physical and moral status of the capital assets is good and poses no danger to the Company’s activities. AB “Vilniaus baldai” has been regularly investing in upgrading of the machinery and in the implementation of the most advanced technologies.

Ecological risk factors. The Company has implemented the environment protection management system in compliance with ISO 14001. This system aims at environment protection management and at an on-going improvement. Great attempts are made to ecologize the production processes, monitor the effect of the raw materials on the environment and ensure that suppliers of products and services comply with the environment protection management system. In 2006, AB “Vilniaus baldai” paid LTL 23.1 thousand of the pollution tax and LTL 63 thousand for the waste utilization services. The production process was not interrupted due to the environment pollution.

Repayment of bank loans. Loans are paid back to the banks in accordance with the schedule as agreed. All payment have been made on time.

Table 30.1. Loans as of 31.12.2006

	LTL thou
Long term loans	46,007
Bank loans	29,618
Other loans	16,389
Current loans	18,692

Current part of long term loans	18,692
Total loans	64,699

Table 30.2. Maturities of long term loans

	Fixed interest	Floating interest
2007	-	18,692
2008	16,389	6,259
2009	-	6,240
2010	-	5,023
2011	-	9,969
2012	-	2,125
	16,389	48,308

In February 2003, AB “Vilniaus baldai” signed a credit line with AB Sampo bankas for the financing of the Company’s working capital. In June 2006, the conditions of crediting were changed. The credit line limit is LTL 12,500 thousand. As of 31 December 2006 the outstanding amount under the credit line was LTL 125,000. The loan is to be repaid in February 2007. An interest rate of 6 months EUR LIBOR +1,3% is applied to the unused balance of the credit line. In March 2007, the Company concluded an additional agreement concerning the extension of the loan term until 2008.

In September 2004, the Company signed a loan modification agreement with AB Sampo bankas for the amount of EUR 2,540,000 (LTL 8,770,000), the last instalment to be repaid in 2010. The outstanding loan balance as of 31.12.2006 was LTL 5,370,000, of which the amount of LTL 1,700,000 is recorded in the financial accounts of the Company as the current portion of long-term debt. The annual interest rate applied to the loan is 6 months EUR LIBOR +1.3%.

In December 2004, the Company concluded the EUR 4,650,000 (LTL 16,056,000) loan agreement with AB Sampo bankas. The loan matures in 2011. The outstanding loan balance as of 31.12.2007 was LTL 14,272,000, of which LTL 1,784,000 recorded in the financial accounts of the Company as the current portion of long-term debt. The annual interest rate applied to the loan is 6 months EUR LIBOR +1.5%.

In August 2005, AB “Vilniaus baldai” concluded an additional loan agreement with AB Sampo bankas and AS Sampo Pank (Estonia) for the amount of 4,924,000 EUR (LTL 17,002,000). The term for the repayment of the last portion of the loan is in 2011. The outstanding loan balance as of 31.12.2006 was LTL 16,293,000, of which LTL 2,834,000 recorded in the financial accounts of the Company as the current portion of long-term debt. The annual interest rate applied to the loan is 6 months EUR LIBOR +1.5%.

In December 2006, the Company concluded with AB “Invalda” a loan agreement modification for the amount of LTL 955,000. The loan repayment term is in 2008. The upstanding loan balance as of 21-12-2006 was LTL 955,000. The annual interest rate applied to the loan is 7 %.

In December 2006, AB “Vilniaus baldai” and AB “Invalda” concluded a loan modification agreement for LTL 2,250,000. The loan matures in 2008. The outstanding balance of the loan as of 31.12.2006 was LTL 2,250,000. The annual interest rate applied to the loan is 7 %.

In December 2006, the Company concluded with AB “Invalda” a loan modification agreement for LTL 13,184,000. The loan repayment term is in 2008. The outstanding balance of the loan as of 31.12.2006 was LTL 13,184,000. The annual interest rate applied to the loan is 7 %.

The loans with AB Sampo bankas and AS Sampo Pank (Estonia) are subordinated by the principal shareholder of the company AB “Invalda”. To secure the loan the Company pledged its buildings and equipment the total accounting value of which as of 31.12.2006 was LTL 48,585,000, the stock in circulation, and the current and the future monetary proceeds into the Company’s accounts with AB Sampo bankas.

Independent auditor’s qualified opinion. Company’s auditors expressed qualified opinion on Company’s financial statements:

“Basis for Qualified Opinion

As described in Note 5 to the accompanying financial statements, the Company has performed the valuation of its buildings for the last time in 1999, which is not in compliance with the requirements of International Financial Reporting Standards to perform the valuation more frequently. We have not obtained sufficient audit evidence with regards to the fair value of buildings as of 31 December 2006.

As described in Note 6 to the accompanying financial Statements, the Company has not accounted for the value of goodwill that occurred during the acquisition of shares of UAB Girių bizonas based on the fair values as required by International Financial Reporting Standards. We have not obtained sufficient audit evidence with regards to what would the value of goodwill have been had the fair values been used for its computation.

Qualified Opinion

In our opinion, except for the effect of the adjustments, if any, that may have been required had we been able to perform the procedures discussed in section *Basis for Qualified Opinion* above, the accompanying financial statements present fairly, in all material respects, the financial position of AB Vilniaus baldai as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.”

31. Halts or reductions of production that have exercised or are exercising material impact on the results of the issuer during the last two financial years

In 2006, the Company halted temporarily the production process due to the inner reorganisation, which reflects in the Company’s financial results.

32. Patents, licenses, contracts

The work with suppliers and customers is performed on the basis of the signed contracts.

33. Court (arbitration) proceedings

During the reporting period no court (arbitration) proceedings likely to have had or to have a material effect on the financial position of the Company took place with regard to AB “Vilniaus baldai”.

34. Staff

During 2006, there was a cut in the jobs due to the increase in the labour efficiency. At the end of 2005, there were 1,084 employees and in December 2006 there worked 842 employees.

Table 34.1. Enrolment list of the employees, 2004–2006

	2004	2005	2006
Number of employees	879	1,061	950
Managers and other professionals	100	116	93
Workers	779	945	857

The average age of the employees is 40. In 2006, enhanced production capacity and increasing sales made it possible to raise wages and salaries by 9.2 % on average. As every year, the Company has devoted much attention and allocated funds for improvement of working conditions, employee training and development. Furthermore, the Company participates in the project seeking support from the European Union, initiated by the Association “Lietuvos mediena”, namely, employee competence enhancement at industrial enterprises, the total project value of which is LTL 8,034,561. The project value of AB “Vilniaus baldai” is LTL 2,167,725.

Table 34.2. Average monthly salary in 2004–2006, LTL

	2004	2005	2006
Managers and other professionals	2,392.4	2,525.3	2,738.4
Workers	1,114.9	1,223.0	1,381.5
Total	1,328.2	1,427.6	1,558.9

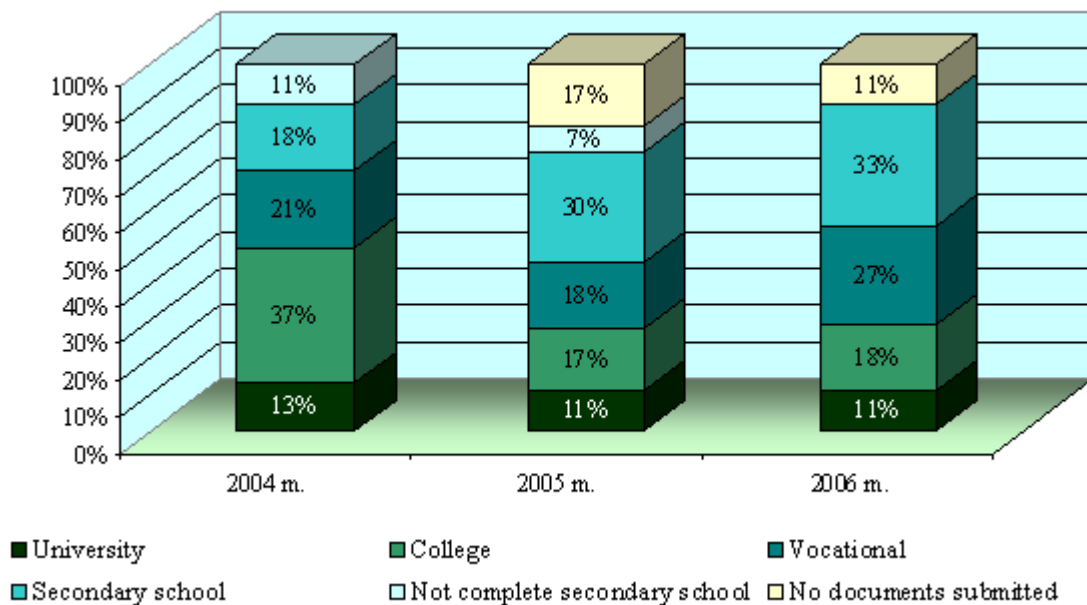


Fig. 34.1 pav. Breakdown of the employees by education

35. Investment policy

The Company has been consistently increasing investment for the upgrading of equipment and the introduction of the most state-of-the-art technologies. The successful investment into production equipment enabled the Company to consolidate its position of the major furniture manufacturer in Lithuania.

In 2004, the Company's capital investment amounted to LTL 17.7m. In 2004, AB "Vilniaus baldai" acquired from the firm BIESSE the edge processing line enabling the processing of furniture panels from four edges, also two sets of drilling lines BIESSE FDT CNC with the automatic feeding and outlet efficiently reducing the manual work and increasing the drilling efficiency. The new drilling tools OPTIMAT BST500D are the passable type equipment capable of drilling into details of 80 mm thick. The sander HESSEMAN LSM8 C/L/L/L was incorporated into the already operating UV glazing line as an addition ensuring the high quality varnish furniture surface.

In 2005, the Company allocated for investment the amount of LTL 17.2m. The major share of the investment was allocated for the new furniture production unit which was equipped with the high capacity furniture production equipment acquired from the leading European manufacturers. The major part of the investment funds was used to acquire from Burkle two finishing lines and one pressing line for which the Company allocated total LTL 10.2m. The Company has also installed and now is efficiently operating the multi-saw crossing tool K340800 from Paul.

The Company has been devoting considerable attention to the environmental issues and the healthy working conditions for its employees. As part of these efforts it acquired and installed two glue application tools and the two dust cleaning devices in addition to the dyeing chambers with driers.

Investment of LTL 2m has been budgeted for the year 2006.

In 2006, the Company additionally acquired 5,833 ordinary registered shares of UAB “Girių Bizonas” for LTL 1,250,000 of LTL 100 in nominal value.

Information about AB “Vilniaus baldai” investment in other enterprises

	UAB “Girių bizonas”
Office address	Gedimino St. 1, LT-69401 Kazlų Rūda
Type of activity	Manufacturer of chip-board and coated chip-board
Type of the shares	Ordinary registered shares
Authorized capital, LTL	47, 248, 925
Number of shares	472,489
Nominal value per share, LTL	100
Number of shares held by AB “Vilniaus baldai” by the right of ownership	122,497
Total nominal value of the shares held by AB “Vilniaus baldai” by the right of ownership, LTL	12,249,700
Portion of capital and votes held by AB “Vilniaus baldai” by the right of ownership, %	25.93
Net unaudited profit (loss) in 2006, LTL	(2,819,847)
Current liabilities and current assets ratio, %	253
Total liabilities and total assets ratio, %	64.65
Dividend paid by AB “Vilniaus baldai”, LTL	-
Loans extended by AB “Vilniaus baldai” in 2006, LTL	-
Loans received by AB “Vilniaus baldai” in 2006, LTL	-
Debt securities purchased by AB “Vilniaus baldai”	-

36. Main competitors

The Company’s competitors are public companies AB “Klaipėdos baldai“, AB “Freda“, AB “Šilutės baldai“, UAB “Narbutas ir Ko” and other furniture manufacturers.

37. Dividends paid

Table 37.1. Dividends paid

For the financial year	Dividends paid, LTL	Amount of dividend per share, LTL	Portion of the nominal value per share, %
2001	-	-	
2002	1,165,880	0.30	7.5
2003	3,886,267	1.00	25.0
2004	3,886,267	1.00	25.0
2005	3,886,267	1.00	25.0
2006	-	-	-

V. FINANCIAL STATUS

38. Financial statements

38.1. Balance sheet

LTL thousand

ASSETS	31.12.2006	31.12.2005	31.12.2004
Non-current assets			
Non-current intangible assets	376	419	254
Land and buildings	23,253	24,248	23,649
Machinery and equipment	35,887	42,130	32,018
Vehicles	612	909	841
Other non-current tangible assets	1,369	1,620	1,267
Construction in progress and pre-payments	108	32	763
Total non-current tangible assets	61,229	68,939	58,538
Non-current financial assets			
Investment	25,058	24,802	750
Other non-current financial assets	2	2	2
Total non-current financial assets	25,060	24,804	752
Total non-current assets	86,665	94,162	59,544
Current assets			
<u>Inventories</u>	13,607	14,325	11,433
Accounts receivable within one year			
Trade receivables	6,969	6,998	5,598
Accrued income, prepayments and other accounts receivable	2,605	2,811	3,039
Total accounts receivable within one year	9,574	9,809	8,637
Cash and cash equivalents	15	8	258
Total current assets	23,196	24,142	20,328
TOTAL ASSETS	109,861	118,304	79,872

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2006	31.12.2005	31.12.2004
SHAREHOLDERS' EQUITY			
Capital	15,545	15,545	15,545
Revaluation reserve	8,554	8,773	8,987
Reserves	1,222	1,049	637
Retained earnings	920	10,064	10,684
Total shareholders' equity and reserves	26,241	35,431	35,853
Accounts payable and liabilities			
Accounts payable in one year and liabilities			
Ilgalaikės paskolos	46,007	53,435	16,590
Atidėtojo pelno mokesčio įsipareigojimas	1,744	2,046	2,261
Total Accounts payable after one year and liabilities	47,751	55,481	18,851
Accounts payable within one year and liabilities			
Current portion of long-term loans and other short-term loans	18,692	11,559	1,700
Trade debtors	12,908	12,894	20,114
Other current accounts payable and accrued liabilities	4,269	2,939	3,354
Total accounts payable within one year and liabilities	35,869	27,392	25,168
Total equity and liabilities	109,861	118,304	79,872

38.2. Profit (Loss) Account

LTL thousand

	2006	2005	2004
Sales revenue	110,289	110,849	100,472
Sales cost	(103,069)	(97,093)	(81,096)
GROSS PROFIT (LOSS)	7,220	13,756	19,376
Operating costs	(8,982)	(7,303)	(9,537)
Profit (Loss) from operating activities	(1,762)	6,453	9,839
Other operating revenue (costs), net	288	(341)	249
Revenue from financial and investment activities, net	(3,158)	(1,654)	(248)
Portion of the associated firm	(987)	(208)	
Profit before taxes	(5,619)	4,250	9,840
Income tax	302	(804)	(1,786)
Net annual profit (Loss)	(5,317)	3,446	8,054
Earnings per share (LTL)	(1.37)	0.89	2.07

38.3. Statement of Changes in Equity

LTL thousand

	CAPITAL	revaluation reserve (result)	reserve s	R e t a i n e d earnings (loss)	Total
Balance as of 31 December 2003	15,545	9,482	326	6,828	32,181
Adjustment of the initial balance		(495)			(495)
Dividend				(3,887)	(3,887)
Allocation to the reserves			311	(311)	
Net annual profit				8,054	8,054
Balance as of 31 December 2004	15,545	8,987	637	10,684	35,853
Replacement of the revaluation reserve		(232)		232	
Change in the deferred tax liability		18			18
Dividend				(3,886)	(3,886)
Allocation to the reserves			412	(412)	
Net annual profit				3,446	3,446
Balance as of 2005	15,545	8,773	1,049	10,064	35,431
Replacement of the revaluation reserve		(201)		201	
Adjustment of the deferred income tax		(18)		18	
<u>Dividend</u>				(3,886)	(3,886)
<u>Allocation to the reserves</u>			173	(173)	
Adjustment of retained earnings (loss)				13	13
Net annual loss				(5,317)	(5,317)
Balance as of 31 December 2006	15,545	8,554	1,222	920	26,241

38.4. Cash Flow Statement

LTL thousand

	2006	2005	2004
Cash flow from operating activities			
Net profit (loss)	(5,317)	3,446	8,054
Replacement of non-cash costs (income):			
Depreciation and amortisation	8,813	6,862	5,142
Result from the transfer of non-current assets	103		
Writing off of non-current assets	47		
Sold, written off, etc. non-current assets			867
Change in the decrease of trade debts and other accounts receivable	869		
Provisions for problematic accounts receivable			(8)
Decrease in the value of inventories	900		
<i>Provisions for outdated inventories</i>			(47)
Amounts deferred to cover tax liabilities	(302)	803	1,786
Holiday pay reserve		295	(221)
Portion of the profit (loss) of the associated firm	987	208	
Interest costs	3,087	1,654	248
	9,187	13,268	15,821
Changes in the working capital			
Inventories (increase)	(182)	(2,892)	(1,809)
Increase (decrease) in trade debtors and other accounts receivable	1,474	(1,172)	(1,725)
Increase (decrease) in trade debtors	(764)	(6,789)	10,607
Increase (decrease) in income tax payable	13	(2,874)	(398)
Cash flow from operating activities	9,728	(459)	22,496
Cash flows from investing activities			
Acquisition of non-current assets	(1,302)	(17,141)	(24,272)
Investment acquisition	(1,242)	(24,260)	(1,751)
Sale/writing off of non-current tangible assets		(333)	(193)
Transfer of non-current assets	91	46	441
Dividend and interest received			33
Cash flows from investing activities, net	(2,453)	(41,688)	(25,742)
Cash flows from financing activities, net			
Cash flows related to the owners of the company			
Dividend paid		(3,886)	(3,886)
		(3,886)	(3,886)
Cash flows related to other sources of financing			
Loans received	1,913	47,154	7,687
Loans repaid	(6,094)		
Interest (paid)	(3,087)	(1,371)	(399)
	(7,268)	45,783	7,288
Cash flows from financing activities, net		41,897	3,402
Increase (decrease) of net cash flows	7	(250)	156
Cash and cash equivalents at the beginning of the period	8	258	102

Cash and cash equivalents at the end of the period	15	8	258
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39. Comments on the financial statements

Explanatory Notes to the financial statements of AB “Vilniaus baldai” are attached to the Annual Prospectus–Report.

40. Activity Report

The Activity Report of AB “Vilniaus baldai” is attached to the Annual Prospectus–Report.

41. Information about the audit

The audit of the financial statements of AB “Vilniaus baldai” for the year 2006 was performed by Jonas Akelis, auditor of UAB “Ernst & Young Baltic”.

Information about the audit firm that has conducted the audit

Address	Subačiaus St. 7, LT-01008 Vilnius
Telephone	(+370~5) 274 2200
Fax	(+370~5) 274 2333
E-mail	vilnius@lt.ey.com
Website	www.ey.com/lt
Company code	110878442

The audit was completed on 6 April 2007.

The Auditor’s Report is attached to the Annual Prospectus–Report.

VI. INFORMATION ABOUT THE ISSUER'S MANAGING BODIES

The public company “Vilnius baldai” is managed through the General Shareholders’ Meeting; it has a single person managing body, Director General, and a collegial managing body, the Board. The Company has no collegial supervisory body, i.e. no Supervisory Board.

The Company’s Board consists of 3 members. It is elected for a term of four years by the General Shareholders’ Meeting. The Board elects and removes from office the Company’s Director General, sets his salary and other terms of the Employment Contract, approves job descriptions, gives incentives and imposes penalties.

42. Members of the managing bodies

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

Table 42.1.1. Participation of the members of AB “Vilnius 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)	-
Vygantas Didžiulis	Chief Financier (from 20.04. 2007)	-

42.2. 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 Vilnius 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 “Invalida”, in 2000 – 2002 accountant with AB “Gildeta”, 2000 – 2001 Chief Financier with UAB “Invalidos 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 *Mersedes 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”.

Vygas 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”.

42.3. 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 (%);

Table 42.3.1. 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 “Invalidos 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	-
AB “Kauno tiltai”, member of the Board	-
UAB “Girių bizonas”, member of the Board	-
AB “Sanitas”, member of the Board	-
Darius Šulnis	

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)	-
Raimondas Rajeckas	
AB “Vilniaus baldai”, member of the Board	-
UAB “Hidroprojektas”, member of the Board	-
AB “Invalda”, Chief Financier	-
Alvydas Banys	
AB “Invalda”, Chairman of the Board (until 02.05.2007)	5.09 % of votes
UAB “Nenuorama”	14.98 % / 16.65 %
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)	-
Dailius Juozapas Mišeikis	
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)	-
Algirdas Bučas	
AB “Finasta”, member of the Board	-
AB “Valmeda”	-
UAB “Nenuorama”	30 % / 33.3 %
Nerijus Pacevičius	
UAB “Aivenida”	33 %
UAB “Dalinera”	50 %
Jelena Makmak	
UAB “Baltic Line”	10 %

42.4. Data about the effective conviction of members of managing bodies for the economic crimes and crimes against property, business procedures and finances

Members of managing bodies are not convicted and have never been convicted for economic crimes and crimes against property, business procedures and finances.

42.5. Data about the beginning and the end of the term of office of each managing body member

Name, surname	Beginning of the term in office	End of the term in office
Alvydas Banyas	17.03.2004	11.04.2007
Algirdas Bučas	17.03.2004	11.04.2007
Dailius Juozapas Mišeikis	17.03.2004	11.04.2007
Vytautas Bučas*	12.04.2007	2008
Darius Šulnis*	12.04.2007	2008
Raimondas Rajeckas*	12.04.2007	2008

*Elected instead of resigned members of the Board until the end of the term in office

43. Information about benefits and loans extended to the members of the managing bodies

43.1. Information about the issuer's payment of salaries, tantiemes and other benefits made from the profit per person on average

Table 43.1.1. Information about payment of salaries, tantiemes and other benefits made from the profit to the members of the Company's managing bodies in 2006, LTL

	Salaries paid, LTL	Tantiemes, LTL	Dividend, LTL
Members of the Board	-	-	167, 010
Each member of the Board on average	-	-	55, 670
Members of the Administration (Director General and Chief Financier)	372, 691	-	-
Each member of the Administration on average	31, 097	-	-

43.2. Total amounts of tantiemes, salaries and other payments made during the accountable period from profit to members of the Supervisory Board, the Board and the administration, received from enterprises wherein the issuer's part in the authorized capital makes up more than 20 %.

There were none.

43.3. Loans granted to members of managing bodies over the accountable period, guarantees and warranties given with respect to fulfilment of their obligations

There were none.

44. Transactions with connected persons

Table 44.1. Connected persons and transactions with them in 2006, LTL thousand

	Acquisitions	Sales	Accounts Receivable	Accounts payable
UAB "Girių bizonas"	12,077	3	-	1,312
AB "Invalda"	655	2	-	16,389
UAB "Invalda Real Estate"	120	3	-	27
AB FMĮ "Finasta"	34	1	-	7
UAB "Invalda Service"	-	1	-	-
AB "Minija"	-	-	34	-
	12,886	10	34	17,735

VII. UPDATED AND MATERIAL EVENTS IN THE ISSUER'S ACTIVITY AND ITS PROSPECTS

45. Most recent developments in the issuer's activities

On 26 January 2007, the Board of AB “Vilniaus baldai” approved the projections of AB “Vilniaus baldai” for the year 2007 as follows:

1. Sales – LTL 139.5 million
2. Net profit – LTL 0.5 million
3. EBITDA – LTL 12.7 million

In the projections the operating results of UAB “Girių bizonas” were not considered.

On 28 March 2007, applications for resignation were received from Alvydas Banys, Chairman of the Board, and Algirdas Bučas and Dailius Juozapas Mišeikis, members of the Board from 11 April 2007.

On 12 April 2007, the AGM of AB “Vilniaus baldai” shareholders was held, which passed the following resolutions:

- Approve, taking into account the auditor's opinion, the Company's Activity Report and the financial statements for the year 2006;

- Approve the Company's profit appropriation for the year 2006 as follows:

Retained earnings at the beginning of the financial year: LTL 5 849 302

Net result of the reporting period (loss): - LTL 5,316,927

Result to be appropriated (profit): LTL 532,375

Transfers from reserves: LTL 387,338

Profit appropriated to the legal reserve: none

Profit allocated for payment of dividends: none

Unappropriated result (profit (loss)) brought forward: LTL 919,713

- Darius Šulnis (President and member of the Board of AB “Invalda”), Vytautas Bučas (member of the Board of AB “Invalda”) and Raimondas Rajeckas (chief financier of AB “Invalda”) were elected members of the Board.

On 12 April 2007, a meeting of the Board of AB “Vilniaus baldai” elected Vytautas Bučas Chairman of the Board.

46. Material events in the issuer's activity

On 14 April 2006, the Annual General Meeting of the Company's shareholders was held which passed the following resolutions:

- Approve, taking into account the auditor's opinion, the Company's Activity Report and the financial statements for the year 2005;
- Approve the Company's profit appropriation for the year 2005;
 - Retained earnings at the beginning of the financial year: LTL 6,206,181;
 - Net profit of the financial year 2005: LTL 3,470,487;
 - Transfers from reserves: LTL 232,425;
 - Profit to be appropriated: LTL 9, 909,093;

- Allocate LTL 173,524 to legal reserve as provided in Par. 5 of Article 59 of the Law on Companies of the Republic of Lithuania;
 - Allocate no funds to other reserves;
 - Profit allocated for payment of dividends: LTL 3,886,267;
 - Profit to be distributed as annual payment (tantiemes) to the members of the Board – none;
 - Retained earnings at the end of the financial year 2005 brought forward to the financial year 2006: LTL 5,849,302.
- The agenda issue concerning selection of the audit firm and remuneration for the audit services was not discussed because of failure to timely complete the auditor’s selection procedure. It was resolved to discuss this issue at the following general shareholders’ meeting.

The AGM resolved to allocate LTL 3,886,267 for payment of dividends in the amount of LTL 1 per share.

On 24 July 2006, AB “Vilniaus baldai”, having evaluated the changes in the product basket and the dates for launching new products, approved the projections of AB “Vilniaus baldai” for the year 2006 as follows:

1. Sales: LTL 135 million;
2. Profit before taxes: LTL 4.2 million;
3. EBITDA: LTL 15.8 million (EUR 4.6m)

Adjustments were made to the previously announced projections concerning the sales of AB “Vilniaus baldai” of LTL 140 million and the profit before taxes of LTL 11 million.

On 7 September 2006, the Board of AB “Vilniaus baldai” passed a resolution to remove from office Viktoras Majauskas, Director General of AB “Vilniaus baldai”. Nerijus Pacevičius was appointed Director General of AB “Vilniaus baldai” from 8 September 2006.

On 20 October 2006, a General Meeting of AB “Vilniaus baldai” shareholders resolved to elect UAB “Ernst & Young Baltic” the Company’s auditor for a period of two years and set the threshold of the remuneration (before VAT) at LTL 52,000. The Board was authorized to negotiate the terms of payment for the audit services; Nerijus Pacevičius, the Company’s Director General, was authorized to sign the contract with the audit firm.

On 30 October 2006, the Board of AB “Vilniaus baldai”, having evaluated the changes in the product basket and the dates for launching new products, approved the adjusted projections of AB “Vilniaus baldai” for the year 2006 as follows:

1. Sales: LTL 112 million;
2. Net loss: LTL 1.9 million;
3. EBITDA: LTL 10.4 million.

Adjustments were made to the previously announced projections concerning the sales of AB “Vilniaus baldai” of LTL 135 million and the profit before taxes of LTL 4.2 million.

The changes in the projections of the Company’s sales and profit resulted from the strategic reorganisation which caused suspension of the production. The financial results reflected the changed situation.

47. Strategy of activity and its prospective changes during current and coming financial (business) years

During 2007, AB “Vilniaus baldai” is planning to increase the sales of the Company’s products to LTL 139.5 million, the net profit to LTL 0.5 million and EBITDA to LTL 12.7 million.