

## RESPONSIBLE PERSONS CONFIRMATION

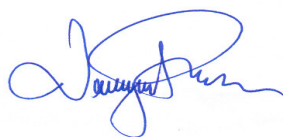
28-08-2007

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

### APPENDIX:

1. Financial statement for the first half year 2007
2. Report for the first half year 2007

General Director



Nerijus Pacevičius

Chief Financial



Jelena Makmak

*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	<a href="mailto:info@vilniausbaldai.lt">info@vilniausbaldai.lt</a>
Website	<a href="http://www.vilniausbaldai.lt">www.vilniausbaldai.lt</a>

## 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" <sup>***</sup> 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.

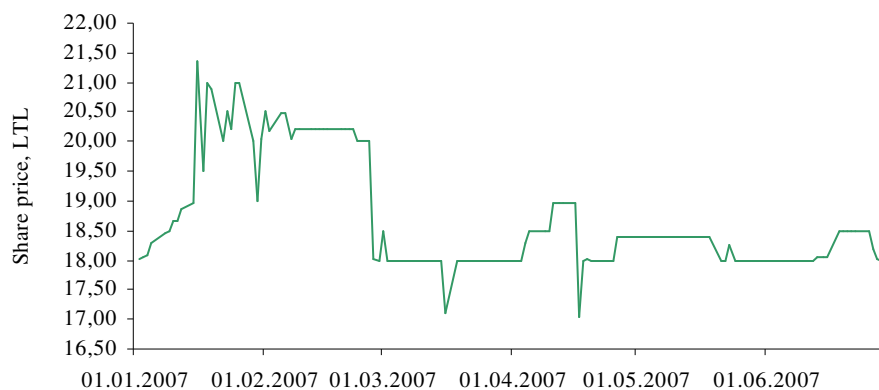
Main characteristics of the shares

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 <sup>st</sup> quarter	21.37	17.11	18.00	1,459,664.44	0	0	30.03.2007	150,587	2,835,145.43
2007, 2 <sup>nd</sup> 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

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

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 "Celtniecibas 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	-	-	-

***PUBLIC COMPANY “VILNIAUS BALDAP”***

*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
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Non-current tangible assets	57 140	61 231	65019
Intangible assets	272	376	437
Investment	24 340	25 058	24 561
<b>TOTAL NON-CURRENT ASSETS</b>	<b>81 752</b>	<b>86 665</b>	<b>90 017</b>
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
<b>TOTAL CURRENT ASSETS</b>	<b>24 168</b>	<b>23 196</b>	<b>27 990</b>
<b>TOTAL ASSETS</b>	<b>105 920</b>	<b>109 861</b>	<b>118 007</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
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
<b>TOTAL CAPITAL AND RESERVES</b>	<b>26 915</b>	<b>26 241</b>	<b>31 976</b>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	1 744	1 744	2 046
Loans and other interest bearing payables	45 051	46 007	41 483
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>46 795</b>	<b>47 751</b>	<b>43 529</b>
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
<b>TOTAL CURRENT LIABILITIES</b>	<b>32 210</b>	<b>35 869</b>	<b>42 502</b>
<b>TOTAL LIABILITIES</b>	<b>79 005</b>	<b>83 620</b>	<b>86 031</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>105 920</b>	<b>109 861</b>	<b>118 007</b>

**Income Statement**

LTL thousand

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

*Financial statement for the first half year 2007*
**Cash Flow Statement**

LTL thousand

	<b>30-06- 2007</b>	<b>30-06 2006</b>
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)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>7 673</b>	<b>4 107</b>
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(208)</b>	<b>(625)</b>
Dividend paid	(5)	0
Loans received/repaid	(5 682)	1851
Interest paid	(1 780)	(1420)
<b>CASH FLOWS FROM FINANCING ACTIVITIES, NET</b>	<b>(7 467)</b>	<b>(3 455)</b>
<b>CASH FLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES</b>	<b>(2)</b>	<b>27</b>
Cash and cash equivalents as of 1 January 2007	15	8
<b>CASH AND CASH EQUIVALENTS AS OF 30 JUNE 2007</b>	<b>13</b>	<b>35</b>

**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 course of business, less the cost completion, marketing and distribution. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable of fixed and variable overhead cost on a normal operating capacity.

*Cash and cash equivalents*

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

*Impairment*

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

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

*Calculation of the recoverable amount*

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

*Dividend*

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

*Amounts carrying interest*

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

**Income Statement***Income*

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

#### *Production costs*

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

#### *Income tax for the reporting year*

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

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

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

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

#### *Segment reporting*

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

### **Cash Flow Statement**

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

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

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

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

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

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

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

### **Segment reporting**

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



*Financial statement for the first half year 2007*

Income and all assets according to geographical segments:

LTL thousand	Sales		Total assets	
	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		
	<u>74 343</u>	<u>52 658</u>	<u>105 920</u>	<u>118 007</u>

### 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
	<u>541</u>	<u>590</u>

### 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
	<u>3 330</u>	<u>2 577</u>

### 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)
	<u>(321)</u>	<u>(87)</u>

**Financial income, net**

	<b>6 months 2007</b>	<b>6 months 2006</b>
	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)
	<u>(2 540)</u>	<u>(1668)</u>

**Earnings per share**

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

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

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

**Non-current tangible assets**

LTL thousand	Buildings	Machinery and equipment	Vehicles	Other non-current assets	Constructi on 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	<u>31 657</u>	<u>62 201</u>	<u>1 014</u>	<u>3 177</u>	<u>248</u>	<u>98 297</u>
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	<u>9 007</u>	<u>29 700</u>	<u>506</u>	<u>1 944</u>	<u>0</u>	<u>41 157</u>
NET CARRYING VALUE AS OF 30 JUNE	<u>22 650</u>	<u>32 501</u>	<u>508</u>	<u>1 233</u>	<u>248</u>	<u>57 140</u>
NET CARRYING VALUE AS OF 1 JANUARY	<u>23 253</u>	<u>35 887</u>	<u>612</u>	<u>1 369</u>	<u>108</u>	<u>61 229</u>
Depreciation period	40 years	6-10 years	5 - 10 years	2 - 6 years		

*Financial statement for the first half year 2007*

Depreciation was broken down as follows:

LTL thousand	<b>30.06.2007</b>	<b>30.06.2006</b>
Production and product development costs	4 004	3 966
Sales, administrative and other costs	298	311
<b>TOTAL</b>	<b>4 302</b>	<b>4 277</b>

### Investments

	<b>30.06.2007</b>	<b>30.06.2006</b>
LTL thousand	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)	
<b>NET CARRYING VALUE AS OF 30 JUNE</b>	<b>24 340</b>	<b>24 560</b>

### Inventories

	<b>30.06.2007</b>	<b>30.06.2006</b>
LTL thousand	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
<b>NET CARRYING VALUE AS OF 30 JUNE</b>	<b>12 879</b>	<b>17 474</b>

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

### Other accounts receivable

	<b>30.06.2007</b>	<b>30.06.2006</b>
LTL thousand	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
<b>NET CARRYING VALUE AS OF 30 JUNE</b>	<b>1 871</b>	<b>2944</b>

**Cash and cash equivalents**

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

**Capital and reserves**
*Share capital*

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

*Legal reserve*

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

**Loans and other borrowings, secured with pledged assets**

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

*Terms and maturity*

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

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

On 8 June 2006, the Company extended its credit line agreement with AB “Sampo bankas” concerning financing of the working capital. The maximum credit line amounts to LTL 14 447 thousand and matures on 25 February 2007. The annual interest rate on the credit equals 6 months’ VILIBOR + 1.3%.

*Financial statement for the first half year 2007*

On 27 November 2006, the Company signed a credit extension agreement with AS “Sampo pank”. AS “Sampo pank” shall transfer to AB “Sampo Bankas” all rights and duties related to the portion of the loan and remaining nonrepaid, amount of 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
<b>TOTAL</b>	<b>43 493</b>	<b>10 876</b>	<b>13 299</b>	<b>19 318</b>

**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
<b>NET CARRYING VALUE AS OF 31 MARCH</b>	<b>4 814</b>	<b>4 931</b>

**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
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*Financial statement for the first half year 2007*

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

**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.