

PUBLIC COMPANY "VILNIAUS BALDAI"

Financial statementt for 9 months 2007

CONTENTS

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

I. GENERAL PROVISIONS

1. Reporting period covered by this Report

The Report has been drawn up for the period of 9 months year 2007.

2. Main data about the issuer

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

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

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

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

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

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

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

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

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

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

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

Nerijus Pacevičius, Director General of AB "Vilniaus baldai"

Jelena Makmak, Chief Financier of AB "Vilniaus baldai"

II. DATA ABOUT THE ISSUER'S MAJOR SHAREHOLDERS AND MEMBERS OF THE MANAGING BODIES**1. Main areas of the Company's activities**

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

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

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

3. Structure of the Company's authorized capital

Structure of the authorised capital of AB "Vilniaus baldai"

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

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

Rights and obligations carried by the shares

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

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

The Company's shareholders have the following property rights:

- 1) to receive a part of the Company's profit (dividend);
- 2) to receive part of the Company's funds, when the Company's authorized capital is decreased, in order to pay the shareholders from the Company's funds;
- 3) to receive shares without payment if the authorized capital is increased out of the company funds, except in cases provided for by the laws of the Republic of Lithuania;
- 4) to have the pre-emption right in acquiring shares or convertible debentures issued by the company, except in cases when the General Meeting decides to withdraw the pre-emption right in acquiring the company's newly issued shares or convertible debentures for all the shareholders;
- 5) to lend to the company in the manner prescribed by law; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders;

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

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

- 1) to attend the General Meetings;
 - 2) to vote at General Meetings according to voting rights carried by their shares;
 - 3) to receive information on the company specified in the Law on Companies of the Republic of Lithuania;
 - 4) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the company manager and Board members of their obligations prescribed by this Law and other laws and the Company's Articles of Association as well as in other cases laid down by laws;
 - 5) other non-property rights established by law and the Company's Articles of Association.
4. Members of the managing bodies

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

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

Name, surname	Position held	Share of the capital/ votes held, %
THE BOARD BEFORE 11 APRIL 2007		
Alvydas Banys	Chairman	0.01
Algirdas Bučas	Member	2.84
Dailius Juozapas Mišeikis	Member	1.45
THE BOARD AS FROM 12 APRIL 2007		
Vytautas Bučas	Chairman	-
Darius Šulnis	Member	0.11
Raimondas Rajeckas	Member	-
ADMINISTRATION		
Nerijus Pacevičius	Director General (from 08.09.2006)	-
Viktoras Majauskas	Director General (until 07.09.2006)	-
Jelena Makmak	Chief Financier (from 23.04.2007)	-
Vygantas Didžiulis	Chief Financier (from 20.04. 2007)	-

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

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

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

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

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

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

The Board before 11.04.2007:

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

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

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

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

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

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

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

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

Financial statement for 9 months 2007

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 %
(a) AB "Valmeda", Chairman of the Board	-
UAB "Invalda Real Estate", member of the Board	-
UAB "Gulbinų turizmas"	11.1 %
UAB "Statybų mechanizacija"	17.0 %
AB "Kauno tiltai", member of the Board (until 25.04.2007)	-
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 %

INTERMEDIATE FINANCIAL STATEMENT FOR 9 MONTHS YEAR 2007

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

Balance Sheet

	LTL thousand		
	<u>30-09-2007</u>	<u>31-12 2006</u>	<u>30-09-2006</u>
ASSETS			
NON-CURRENT ASSETS:			
Non-current tangible assets	54 635	61 231	63 426
Intangible assets	241	376	393
Investment	23 916	25 058	24 554
TOTAL NON-CURRENT ASSETS	<u>78 792</u>	<u>86 665</u>	<u>88 373</u>
CURRENT ASSETS			
Inventories	12 847	13 607	18 306
Trade debtors	13 328	6 969	7 119
Other accounts receivable	2 286	2 605	2 924
Cash and Cash Equivalents	1 482	15	34
TOTAL CURRENT ASSETS	<u>29 943</u>	<u>23 196</u>	<u>28 383</u>
TOTAL ASSETS	<u>108 735</u>	<u>109 861</u>	<u>116 576</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	15 545	15 545	15 545
Revaluation reserve	8 554	8 554	8 755
Legal reserve	1 222	1 222	1 222
Retained earnings	4 012	920	5 843
TOTAL CAPITAL AND RESERVES	<u>29 367</u>	<u>26 241</u>	<u>31 365</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	1 744	1 744	2 046
Loans and other interest bearing payables	42 051	46 007	39 197
TOTAL NON-CURRENT LIABILITIES	<u>43 795</u>	<u>47 751</u>	<u>41 243</u>
TOTAL CURRENT LIABILITIES			
Loans and other interest bearing payables	14 061	18 692	26 353
Debts to Suppliers	17 356	12 908	12 891
Other liabilities	4 156	4 269	4 904
TOTAL CURRENT LIABILITIES	<u>35 573</u>	<u>35 869</u>	<u>44 148</u>
TOTAL LIABILITIES	<u>79 368</u>	<u>83 620</u>	<u>85 391</u>
TOTAL EQUITY AND LIABILITIES	<u>108 735</u>	<u>109 861</u>	<u>116 756</u>

Income Statement

LTL thousand

	9 MONTHS 2007	9 MONTHS 2006
TURNOVER	114 184	81 305
Production costs	(101 659)	(74 194)
GROSS PROFIT	12 525	7 111
Distribution costs	(1 237)	(876)
Administrative costs	(4 673)	(3 798)
Other operating income, net	1 339	(156)
PROFIT FROM OPERATING ACTIVITIES	7 954	2 281
Financial income, net	(2 692)	(2 221)
Operating result of the associated firm	(1 141)	(242)
PROFIT BEFORE TAXES	4 121	(182)
Income tax	(1 049)	(11)
NET ANNUAL PROFIT	3 072	(193)
Earnings per share	0,79	- 0,05

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				(5 329)	(5 329)
CAPITAL AND RESERVES AS OF 31 DECEMBER 2006	15 545	1 222	8 554	945	26 266
Replacement of the revaluation reserve					
Dividend					
Allocation to the legal reserve					
NET PROFIT (Loss) 30.09.2007				3 072	3 072
CAPITAL AND RESERVES AS OF 30 SEPTEMBER 2007	15 545	1 222	8 554	4 017	29 338

Cash Flow Statement

LTL thousand

	30-09-2007	30-09 2006
Result after taxes	3 072	(193)
Adjustments:		
Depreciation and amortisation	6 572	6 615
Result from investing activities	0	242
Sale, writing off, etc. of non-current tangible assets	2 129	0
Deferred taxes	0	0
Provisions for outdated inventories	0	0
Provisions for problematic amounts receivable	0	0
Amounts accrued to cover tax liabilities	1 049	11
Holiday pay reserve	0	0
Financial income and costs	3 737	2 221
Cash flow from ordinary activities before changes in working capital	14 433	8 896
Changes in trade receivables and other amounts receivable	(6 030)	1 364
Changes in inventories	760	(3 928)
Changes in debts to suppliers and other liabilities	3 292	744
Cash flow from operating activities	(1 978)	7 076
Income tax paid		(893)
CASH FLOW FROM OPERATING ACTIVITIES	12 455	6 183
Acquisition of non-current assets	0	(1 010)
Acquisition of investments	(13)	0
Result from investing activities	5	0
Capitalisation of non-current intangible assets	0	(182)
Sale/writing off of non-current tangible assets	143	1547
Dividend and interest received	0	0
CASH FLOWS FROM INVESTING ACTIVITIES	135	(1 038)
Dividend paid	0	(3 886)
Loans received/repaid	(8 587)	980
Interest paid	(2 536)	(2 213)
CASH FLOWS FROM FINANCING ACTIVITIES, NET	(11 123)	(5 119)
CASH FLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES	1 467	26
Cash and cash equivalents as of 1 January 2007	15	8
CASH AND CASH EQUIVALENTS AS OF 30 JUNE 2007	1 482	34

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 September 2007, the Company employed 734 people (on 30 September 2006, there were 868 employees).

The Company’s shares are traded on the Official List of the OMX Vilnius Stock Exchange.

Compliance of the statements with established standards

Financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Standards Board (IFRSB) and with the interpretations of the Standard Interpretation Committee of the IFRSB.

Basis for drawing up of the statements

In the financial statements all figures are provided in LTL thousand. The statements are drawn up applying the method of historical costs.

When drawing up the financial statements in accordance with the IFRS, the managers are required to make calculations and estimations to support the assumptions that have an impact on application of the accounting principles and on the amounts of assets and liabilities, income and costs. The calculations and related assumptions are based on historical experience and other factors that correspond to the present situation and on the basis of which conclusions concerning the carrying amount of assets and liabilities are made that cannot be decided on the basis of other sources. The actual amounts may differ from these assumptions.

The Company’s accounting policies are consistent with those used in the previous years.

Amounts in foreign currencies are shown in the national currency

Transactions in foreign currencies are recorded in litas at the official exchange rate on the day of the transaction. Accounts receivable and payable and cash in foreign currencies are translated into litas at the exchange rate on the balance sheet day. The differences in the currency exchange rates that occur after the transactions are recorded in the Income Statement.

Balance Sheet

Non-current tangible assets

Non-current tangible assets, except buildings, are disclosed at acquisition or production cost, less accrued depreciation and impairment losses. The costs of internally developed assets include the costs of materials, direct labour costs and respective indirect production costs.

The value of buildings is disclosed at revaluation cost less accrued depreciation and impairment losses. Revaluation of buildings is performed every five years.

The costs suffered in an attempt to replace an element of tangible assets that is recorded separately, including costs of major repairs, undergo capitalisation. Other costs are capitalized only if they increase the expected economic benefit receivable from those assets. All other costs related to these assets are recorded in the Income Statement when incurred. Depreciation (amortization) of the non-current tangible assets is calculated on a straight – line basis over the estimated useful life of the assets and disclosed in the Income Statement, while its major elements are recorded separately. The projected useful economic life of the assets is as follows:

– buildings	40 years
– non-current tangible assets	6 – 10 years
– vehicles	5 – 10 years
– other assets	2 – 6 years

Non-current intangible assets

Non-current intangible assets that consist of the acquired software are recorded at actual acquisition or production cost, less accrued amortisation. Amortization is calculated on a straight – line basis over a period of 3 years.

Trade debtors and other accounts receivable

Trade debtors and other accounts receivable are disclosed at costs after the deduction of the provisions for potential losses.

Inventories

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slowmoving items. Net realisable value is the selling price in the ordinary course of business, less the cost completion, marketing and distribution. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable of fixed and variable overhead cost on a normal operating capacity.

Cash and cash equivalents

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

Impairment

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

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

Calculation of the recoverable amount

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

Dividend

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

Amounts carrying interest

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

Income Statement***Income***

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

Production costs

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

Income tax for the reporting year

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

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

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

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

Segment reporting

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

Cash Flow Statement

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

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

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

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

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

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

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

Segment reporting

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

Income and all assets according to geographical segments:

LTL thousand	Sales		Total assets	
	9 months 2007	9 months 2006	9 months 2007	9 months 2006
Lithuania	2 546	4 705	108 735	116 756
EU countries	72 743	53 985	0	0
Other countries	38 895	22 615		
	74 343	81 305	108 735	116 756

Distribution costs

	9 months 2007	9 months 2006
	LTL thousand	LTL thousand
Remuneration and social insurance	536	537
Export costs (transportation)	146	87
Depreciation	102	95
Business trips	4	19
Advertising	6	11
Other	443	127
	1 237	876

Administrative costs

	9 months 2007	9 months 2006
	LTL thousand	LTL thousand
Remuneration and social insurance	2 129	1 833
Depreciation	338	372
Employee training and other	523	261
Utilities and communication	161	160
Amortization	182	208
Insurance	83	108
Business trips	82	50
Bank services	32	24
Repairs and maintenance costs	176	17
Professional services	39	8
Other	928	757
	4 673	3 798

Income from ancillary activities, net

	<u>9 months 2007</u>	<u>9 months 2006</u>
	LTL thousand	LTL thousand
Lease income	175	266
Sale of waste materials	81	31
Written off problematic debts	-402	-182
Sales tangible assets	1 385	20
Other income and losses	100	-291
	<u>1 339</u>	<u>-156</u>

Financial income, net

	<u>9 months 2007</u>	<u>9 months 2006</u>
	LTL thousand	LTL thousand
Bank loan interest costs	-2 634	-2 213
Amortisation of future income	0	0
Currency exchange profit, less loss	-16	-29
Other income and losses	-42	21
	<u>-2 692</u>	<u>-2 221</u>

Earnings per share

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

LTL thousand	<u>30.09.2007</u>	<u>30.09.2006</u>
Net annual profit	3 072	-193
Weighted average number of the shares (thou)	3 886	3 886
Earnings per share (LTL)	<u>0,79</u>	<u>-0,05</u>

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

Non-current tangible assets

LTL thousand	Buildings	Machinery and equipment	Vehicles	Other non-current assets	Construction in progress	Total
Costs as of 1 January	32 012	62 041	1 111	3 110	108	98382
Increase	0	393	26	203	391	1 013
Sales	955	33	200	12	0	1 200
Writing off	0	52	2	56	4	114
Regrouping	0	456	0	-65	-391	0
Costs as of 30 June	31 057	62 805	935	3 180	104	98 081
Depreciation as of 1 January	8 759	26 154	499	1 741	0	37 153
Depreciation during half of the year	660	5 676	94	312	0	6 742
Sales	237	2	107	8	0	354
Writing off	0	43	0	54	0	97
Regrouping	0	453	22	-475	0	0
Depreciation as of 30 September	9 185	32 238	508	1 516	0	43 445
NET CARRYING VALUE AS OF 30 SEPTEMBER 2007	21 875	30 567	427	1 663	104	54 635
NET CARRYING VALUE AS OF 1 JANUARY 2006	23 479	37 698	808	1 401	40	63 426
Depreciation period	40 years	6-10 years	5 - 10 years	2 - 6 years		

Depreciation was broken down as follows:

LTL thousand	30.09.2007	30.09.2006
Production and product development costs	5 936	5 940
Sales, administrative and other costs	440	467
TOTAL	6 376	6 407

Investments

	30.09.2007	30.09.2006
	LTL thousand	LTL thousand
Shares of UAB "Girių Bizonas"	26 250	24 551
Other	1	1
Impact of the equity method	-2 335	-242
NET CARRYING VALUE AS OF 30 JUNE	23 916	24 312

Inventories

	<u>30.09.2007</u>	<u>30.09.2006</u>
	LTL thousand	LTL thousand
Raw materials	8 773	11 391
Production in progress	2 469	3 509
Finished products	1 567	3 279
Goods for resale	38	127
NET CARRYING VALUE AS OF 30 JUNE	<u>12 847</u>	<u>18 306</u>

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

Other accounts receivable

	<u>30.06.2007</u>	<u>30.06.2006</u>
	LTL thousand	LTL thousand
Advance income tax	147	1 582
Amounts receivable from the state (VAT recoverable)	1 576	720
Other amounts receivable and future costs	563	622
NET CARRYING VALUE AS OF 30 JUNE	<u>1 871</u>	<u>2 924</u>

Cash and cash equivalents

	<u>30.06.2007</u>	<u>30.06.2006</u>
	LTL thousand	LTL thousand
Cash in banks	1 458	28
Cash on hand	24	6
Cash and cash equivalents at the end of the period	<u>1 482</u>	<u>34</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	42 051	39 197
NET CARRYING VALUE AS OF 30 JUNE	<u>42 051</u>	<u>39 197</u>
SHORT-TERM LIABILITIES, SECURED WITH PLEDGED ASSETS		
Current portion of loans	14 062	20 167
NET CARRYING VALUE AS OF 30 JUNE	<u>14 062</u>	<u>20 167</u>

Terms and maturity

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

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

On 8 June 2006, the Company extended its credit line agreement with AB "Sampo bankas" concerning financing of the working capital. The maximum credit line amounts to LTL 12 500 thousand and matures on 25 February 2007. The annual interest rate on the credit equals 6 months' VILIBOR + 1.3%.

On 27 November 2006, the Company signed a credit extension agreement with AS "Sampo pank". AS "Sampo pank" shall transfer to AB "Sampo Bankas" all rights and duties related to the portion of the loan and remaining nonrepaid, amount of thousand EUR 4 719. The loan matures on 1 July 2012; the annual interest rate on the credit amounts to 6 months' EURIBOR + 1.5%.

On 01 March 2007, the Company extended its credit line agreement with AB "Sampo bankas" concerning financing of the working capital. The maximum credit line amounts to LTL 12 500 thousand and matures on 25 February 2007. The annual interest rate on the credit equals 6 months' VILIBOR + 1.3%.

On August 10 the Company signed appendix on credit line agreement with AB "Sampo bankas". The maximum credit line amounts to 12 500 thousand LTL. The annual interest rate on the credit equals 6 months' VILIBOR + 1.1%.

On August 10 the Company signed appendix on 28 December 2004 loan agreement with AB "Sampo bankas". The annual interest rate on the credit equals 6 months' EURIBOR + 1.1%.

On August 10 the Company signed appendix on 25 February 2003 loan agreement with AB "Sampo bankas". The annual interest rate on the credit equals 6 months' EURIBOR + 1.1%.

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

LTL thousand	Total amount payable as of 30 September 2007	2007 October-December payments	2008	2009-2012
Loan of EUR 2 540 thousand	4 096	425	2 860	811
Loan of EUR 9 369 thousand	28 255	1 154	4 618	22 483
Used credit of LTL 12,500 thousand	12 482	9 482	3 000	0
TOTAL	43 493	11 061	10 478	23 294

Other creditors

	<u>30.09.2007</u>	<u>30.09.2006</u>
	LTL thousand	LTL thousand
Holiday pay reserve	983	983
Remuneration	1 282	804
Operating taxes	89	213
Social insurance	567	539
Dividend for the previous year	3	37
Income tax liability	1 049	11
Other accounts payable and accrued taxes	183	1 961
NET CARRYING VALUE AS OF 31 MARCH	4 156	4 904

Personnel costs

	<u>30.09.2007</u>	<u>30.09.2006</u>
	LTL thousand	LTL thousand
Production and product development costs	16 533	14 508
Sales, administrative and other costs	2 665	2 370
	19 198	16 878

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 September 2007 may be broken down as follows:

LTL thousand	<u>EUR</u>	<u>USD</u>	<u>SEK</u>	<u>Other</u>
Trade debtors	0	0	0	0
Cash		0	0	0
Borrowings	-32 351	0	0	0
Debts to suppliers	- 2 963	0	-1336	0
	- 35 314	0	-1336	0

Interest risk

VILIBOR and EURIBOR related floating interest rates are applied to the loans extended to the Company.

As of 30 09 2007, the Company used no financial instruments as interest risk hedging.

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY AND OTHER INFORMATION

On 21 July 2007, the Board of AB "Vilniaus baldai" approved the unaudited financial statements for the first half of the year, drawn up according to the International Financial Reporting Standards.

Sales of AB "Vilniaus Baldai" during January–July of 2007 amounted to LTL 74,343 thousands (LTL 52,658 in the same period of 2006).

Net profit of AB "Vilniaus Baldai" during January–July of 2007 was LTL 674 thousands. In the calculation of the Company's semi-annual net profit a loss of LTL 796 thousands was considered, having resulted from the calculation of the value of UAB "Girių bizonas" using the equity method.

Profit before taxes, interest and depreciation (EBITDA) amounted to LTL 7.96 millions, which a year ago was LTL 6.63 millions.

August 26th, 2007 AB „Vilniaus baldai“ board has confirmed AB „Vilniaus baldai“ forecast for year 2007:

1. Turnover – 158 millions. LTL (46 millions Eur)
2. Net profit – 3.5 millions. LTL (1 millions Eur)
3. EBITDA – 15 million. LTL (4.3 millions Eur)

Forecast includes 0.2 million LTL (0.06 million EUR) 2007 year result of UAB „Girių bizonas“ and 1.44 millions LTL (0.42 million EUR) profit on sale of fixed assets

During period January –October 2007 turnover was 129 411 thousands LTL (37 480 thousands Eur), same period year 2006 was 91 063 thousand sLTL (26 374 thousands Eur).

Net profit during period 2007 January-September was 3 072 thousands LTL (890 thousand Eur), same period year 2006 net loss was 193 thousands LTL (56 thoudands Eur). EBITDA was 14.49 millions LTL (4.2 million Eur). Year ago it was 9.1 millions LTL (2.6 millions Eur).

RESPONSIBLE PERSONS CONFIRMATION

30-11-2007

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.

General Director

Nerijus Pacevičius

Chief Financial

Jelena Makmak