

RESPONSIBLE PERSONS CONFIRMATION

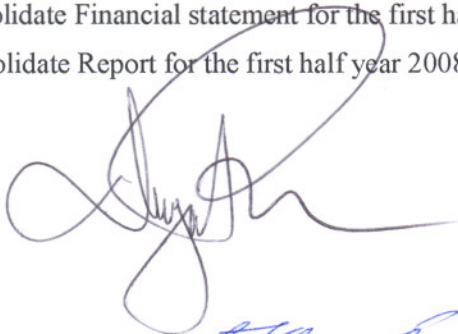
12-09-2008

Confirm that by LR Law on Securities article 22, part 1 AB “Vilniaus baldai” Financial statement for the first half year 2008 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. Consolidate Financial statement for the first half year 2008.
2. Consolidate Report for the first half year 2008.

General Director



Nerijus Pacevičius

Chief Financial



Aušra Kibirkštienė

Public company "Vilniaus baldai"

Consolidated Interim Report for 6 months of 2008

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1. Reporting period covered by this Report

The Report has been drawn up for the first half of the year 2008.

2. The issuer and its contact data

Information about the Issuer

Name of the issuer	Public company (AB) “Vilniaus baldai”
Code	1219 22783
Office address	Savanorių Ave. 178, LT-03154 Vilnius
Telephone	(+370~5) 252 57 00
Fax	(+370~5) 231 1130
E-mail	info@vilniausbaldai.lt
Website	www.vilniausbaldai.lt
Date and place of registration	9 February 1993; the Board of Vilnius Municipality
Legal form	public limited liability company
Type of activity	furniture design, manufacturing and sale
Register in which data about company are accumulated and stored	Register of Legal Entities

Information about the subsidiary company of the Issuer

Name	Public company (UAB) “Ari-Lux”
Code	120989616
Office address	Savanorių Ave. 178, LT-03154 Vilnius
Telephone	(+370~5) 252 5744
Fax	(+370~5) 252 5744
E-mail	saxela@takas.lt
Website	-
Legal form	private limited liability company
Date and place of registration	28 October 1991; the Board of Vilnius Municipality
Register in which data about company are accumulated and stored	Register of Legal Entities
Type of activity	fitting packing
Authorized capital	10,000 LTL
Share of “Vilniaus baldai” in the company	100%

3. 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, telephone (+370~5) 278 6833) concerning management of securities accounting and payment of dividends to the shareholders.

4. Information about securities of the Issuer

4.1. table. 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 and non – 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;
- 7) other non-property rights established for by the Law on Companies the Republic of Lithuania.
- 8) to attend the General Meetings;
- 9) to vote at General Meetings according to voting rights carried by their shares;
- 10) to receive information on the company specified in the Law on Companies of the Republic of Lithuania;
- 11) 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;
- 12) other non-property rights established for by the Law on Companies the Republic of Lithuania and the Articles of Association of the company.

Persons, who are shareholders of the company on the tenth working day after the General Meeting of the shareholders which adopts the following decision (at the end of the record day) are entitled to the rights, stated in articles 1-4.

5. Shareholders

As of 30 June 2008, the total number of shareholders was 1,048.

5.1. table. Shareholders who held title to more than 5 percent of the issuer's authorized capital and/ or votes on 30 June 2008.

Names of the shareholders, office addresses, codes	Number of shares held by the right of ownership, units	Share of the authorized capital held, %	Share of the votes, %
AB "INVALDA" ^{***} Šeimyniškių St. 3, Vilnius 1213 04349	2,468,529	63.52	63.52
HANSABANK CLIENTS Liivalaia 8, 15040 Tallinn, Estonia 10060701	303,782	7.82	7.82

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.

6. 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.

Table 6.1. Main characteristics of Vilniaus Baldai AB shares admitted to trading

ISIN code	LT0000104267
Name	VBL1L
Exchange	Vilnius Stock Exchange
List	Baltic Main List
Listing date	05.06.2000
Share issue, units	3,886,267
Nominal value, LTL	4
Total nominal value, LTL	15,545,068

Table 6.2. Trading in Vilniaus Baldai AB shares

	1 H 2008	1 H 2007
Share price, LTL:		
- open	21.50	18.02
- high	23.00	21.37
- low	16.50	17.03
- last	19.00	18.05
- average	19.43	18.71
Turnover, units	91,614	176,933
Turnover, LTL	1,779,992	3,310,557
Traded volume, units	276	266
Capitalisation, LTL thousand	73,839.1	70,147.1



Fig. 6.1. Turnover and share price of Vilniaus baldai AB f (from the beginning of trading)

7. 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 (except in cases provided for by the Law on Companies of the Republic of Lithuania).

8. 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, re-elected on 29 April 2008, end of the term in office in 2012
Experience	From 2006: AB “Invalida”, advisor, Member of the Board (from May 2007 Chairman of the Board) 2006-2007: AB “Invalidos nekilnojamojo turto fondas”, Member of the Board 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 “Invalida”, Chairman of the Board (21,01 % of shares, 30.67 % of votes together with persons acting in concert) AB bank “Finasta”, Chairman of the Supervisory Board Tiltra Group AB, Member of the Supervisory Board AB “Vilniaus baldai”, Chairman of the Board

	AB "Invaldos nekilnojamojo turto fondas", Chairman of the Board AB "Sanitas", Member of the Board AB FBC "Finasta", Chairman of the Board AB "Finasta įmonių finansai", Member of the Board UAB "Invalda turto valdymas" (previous name UAB "Finasta investicijų valdymas"), Member of the Board UAB "Invalda nekilnojamojo turto valdymas" (previous name UAB "Inred"), Member of the Board AB "Kauno tiltai", Member of the Board UAB "Girių bizonas", 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, re-elected on 29 April 2008, end of the term in office in 2012
Experience	From 2006: AB "Invalda", President, Member of the Board 2002 – 2006: UAB "Invalda Real Estate" (recent name UAB "Invalda nekilnojamojo turto valdymas", Director 1994 – 2002: AB FBC "Finasta", Director
Participation in the activities of other companies	President, Member of the Board of AB "Invalda" (3.54 % of shares, 30.67 % of votes together with persons acting in concert) AB bank "Finasta", Member of the Supervisory Board Tiltra Group AB, Member of the Supervisory Board AB "Sanitas", Chairman of the Board AB "Finasta įmonių finansai", Chairman of the Board UAB "Invalda turto valdymas" (previous name UAB "Finasta investicijų valdymas"), Chairman of the Board UAB "Invalda nekilnojamojo turto valdymas" (previous name UAB "Inred"), Chairman of the Board AB "Vilniaus baldai", Member of the Board AB "Umega", Member of the Board SIA "AMMO" (Latvia), Chairman of the Supervisory Board SIA "DOMMO" (Latvia), Chairman of the Supervisory Board SIA "DOMMO GRUPA" (Latvia,) Chairman of the Supervisory Board SIA "Burusala" (Latvia), Chairman of the Supervisory Board UAB "Golfas" (31 % of shares) UAB "Lucrum investicija" (100 % of shares, all voting rights are transferred)
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, re-elected 29 April 2008, end of the term in office in 2012
Experience	From November 2006: AB "Invalda", Chief Financier 2001 – 2006: AB "Valmeda", Chief Financier 2000 – 2001: AB "Galinčius", Chief Financier 2000 – 2001: UAB "Invaldos marketingas" (current name UAB "Invalda nekilnojamojo turto valdymas"), Chief Financier 2000 – 2002: AB "Gildeta", Accountant 1998 – 2000: AB "Invalda", Accountant
Participation in the activities of other companies	AB "Invaldos 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 “Dalinera” (50 % of the shares)
Participation in the Company’s authorized capital	no

Name, surname	Jelena Makmak
Position held	Till 31 July 2008: Chief Financier
Experience	2007 – 2008: AB “Vilniaus baldai”: Chief Financier 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

Name, surname	Aušra Kibirkštienė
Position held	From 18 August 2008: Chief Financier
Experience	2001 – 2008: UAB “Litesko” Navision supervision manager 2005-2008: UAB “Druskininkų dujos”, Chief Accountant 1996-2001: UAB “Bitė Lietuva”, Accountant
Participation in the activities of other companies	no
Participation in the Company’s authorized capital	no

During the first half of 2008, no assets were transferred, nor any surety or guarantee offered for the discharge of obligations of the members of the Board of AB “Vilniaus baldai”, Director of the Company and the Chief Financier.

LTL 314,690 were allocated as a remuneration for the Director General and the Chief Financier for the reporting period.

9. Employees

On 30 June 2008, the number of employees working for the Company totalled to 673, in December 2007 - 821 employees. The number of employees decreased because of the increased work efficiency.

Table 9.1. Number of employees

	30.06.2008	31.12.2007
Number of employees	673	821
Senior managers and specialists	40	90
Workers	633	731

Table 9.2. Average monthly wages of the employees (before taxes), LTL

	1 H 2008	1 H 2007
Senior managers and specialists	3,419	3,671
Workers	2,098	1,585
Total	2,272	1,759

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

10. Survey of the Company's activities

Table 10.1. Main items of balance sheet, LTL thousand

	30.06.2008	30.06.2007
Non-current assets	69,375	81,752
Current assets,	24,700	24,168
Total assets,	94,075	105,920
Capital and reserves	24,320	26,915
Total liabilities	69,755	79,005
Non-current liabilities	25,152	46,795
<i>Financial debts</i>	23,358	45,051
Current liabilities	44,603	32,210
<i>Financial debts</i>	26,864	13,966

Table 10.2. Results of the company

	1 H 2008	1 H 2007
Sales income, LTL thou	63,590	74,343
- <i>in Lithuania</i>	753	1,464
- <i>in EU countries</i>	35,441	47,180
- <i>Other countries</i>	27,396	25,699
Gross profit, LTL thou	4,168	7,781
Gross profit margin, %	6.55	10.47
Operating profit, LTL thou	224	3,589
Operating profit margin, %	0.35	4.82
Profit before taxes, LTL thou	(3,720)	1,049
Profit before taxes margin, %	-	1.41
Net profit, LTL thou	(3,720)	674
Net profit margin, %	-	0.91
EBITDA, LTL thou	3,852	7,962
EBITDA margin, %	6.06	10.71

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

The sales of the first quarter of 2008 of AB "Vilniaus baldai" amounted to LTL 30,292 thousand (compare to LTL 33,958 thousand during the same period in 2007). In January–March 2008, the Company's loss before taxes totalled LTL 1,936 thousand; during the same period in 2007 it was profit to LTL 201 thousand.

Sales of AB "Vilniaus Baldai" during January–June of 2008 amounted to LTL 63,590 thousand (LTL 74,343 in the same period of 2007).

Net loss of AB "Vilniaus Baldai" during January–June of 2008 was LTL 3,720 thousand. In the calculation of the Company's semi-annual net loss, the loss of LTL 2,125 thousand was considered, which resulted from the calculation of the value of UAB "Girių bizonas" using the equity method.

On 29 April 2008, 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 919,713
 - Net profit of the financial year 2007: LTL 1,799,363
 - Result for appropriation: LTL 2,719,076
 - Transfers from reserves: LTL 198,116
 - Profit to be appropriated: LTL 2,917,192
 - Shareholders’ contributions to cover losses
 - Profit allocation to the legal reserve: LTL 199,750
 - 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 2,717,442

12. Information about major transactions of connected parties

12.1. Table. Transactions of connected parties as of 30.06.2008, LTL thousand

	Purchases	Amounts payable	Sales	Amounts receivable	Repaid debt	Interest paid
AB “Invalda”		93	-	-	-	565
UAB “Girių Bizonas”	9,749	1,379	256	-	-	-
AB FMĮ “Finasta”	8	4	-	-	-	-
UAB “Inred”	63	-	245	103	-	-
UAB “InReal”	584	263	-	-	-	-
UAB “Ari-Lux”	343	64	20	4	-	-

13. Revised forecasts of Vilniaus Baldai AB for 2008

In August 2008 AB Vilniaus baldai revised the forecast for year 2008.

Adjustments made to the previously announced projections of AB “Vilniaus baldai” are as follows: sales – LTL 148,6 million, net profit – LTL 0.6 million, and EBITDA – LTL 12.7 million.

The forecast was revised considering company’s results for the first half of 2008, that didn’t reach the expected level due to implementation of three new products at the same time and faced difficulties of production process arrangement.

Moreover, the forecasted influence of Girių Bizonas UAB changed. Revising forecasts Girių Bizonas UAB influence was calculated according to actual results of the first half of 2008 (2.1 mLTL (0.61 mEUR) loss attributable to Vilniaus Baldai UAB) and the profit of the second half considered to be equal zero.

Public company “Vilniaus baldai”
Consolidate Financial Statement
For Six Months 2008

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COMPANY INFORMATION

1. Reporting period covered by this Report

The Report has been drawn up for the period of first half year 2008.

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, and in the financial brokerage firm AB "Finasta", Konstitucijos Ave. 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.

4. Board

Board president:	Vytautas Bučas
Board members:	Darius Šulnis Raimondas Rajeckas

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

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

Aušra Kibirkštienė, Chief Financier, tel. +370 5 252 57 20

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 Aušra Kibirkštienė, 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"

Aušra Kibirkštienė, Chief Financier of AB "Vilniaus baldai"

Date of signing the Report: 12 September 2008.

INTERMEDIATE FINANCIAL STATEMENT FOR FIRST HALF YEAR 2008

The financial statements of AB "Vilniaus baldai" presented in this section of the Report are drawn up in accordance with the International Financial Reporting Standards (IFRS).

The auditors reviewed the financial statements of 31 December 2007, while those of 30 Juny 2008 and 30 Juny 2007 are unaudited.

Balance Sheet

	30-06-2008	31-12-2007	LTL thousand 30-06-2007
Assets			
Non-current assets:			
Non-current tangible assets	48 385	51 866	57 140
Intangible assets	396	306	272
Investment	20 594	22 697	24 340
Total non-current assets	69 375	74 869	81 752
Current assets			
Inventories	11 755	11 587	12 879
Trade debtors	10 287	11 162	9 404
Other accounts receivable	2 619	2 530	1 871
Cash and Cash Equivalents	39	61	14
Total current assets	24 700	25 340	24 168
Total assets	94 075	100 209	105 920
Shareholders' equity and liabilities			
Capital and reserves			
Share capital	15 545	15 545	15 545
Revaluation reserve	8 356	8 356	8 554
Legal reserve	1 422	1 222	1 222
Retained earnings	(1 003)	2 917	1 594
Total capital and reserves	24 320	28 040	26 915
Non-current liabilities			
Grants	25	31	0
Deferred tax liabilities	1 769	1 769	1 744
Loans and other interest bearing payables	23 358	23 358	45 051
Total non-current liabilities	25 152	25 158	46 795
Total current liabilities			
Loans and other interest bearing payables	26 864	30 105	13 966
Debts to Suppliers	13 645	13 874	13 430
Other liabilities	4 094	3 032	4 814
Total current liabilities	44 603	47 011	32 210
Total liabilities	69 755	72 169	79 005
Total equity and liabilities	94 075	100 209	105 920

Income Statement

	LTL thousand			
	I half year 2008	I half year 2007	II quarter 2008	II quarter 2007
Turnover	63 590	74 343	33 298	40 385
Production costs	(59 422)	(66 562)	(31 209)	(35 348)
GROSS PROFIT	4 168	7 781	2 089	5 037
Distribution costs	(682)	(541)	(373)	(290)
Administrative costs	(3 707)	(3 330)	(1 916)	(1 854)
Other operating income, net	445	(321)	211	(302)
Profit from operating activities	224	3 589	11	2 591
Financial income, net	(1 819)	(1 806)	(877)	(963)
Operating result of the associated firm	(2 125)	(734)	(939)	(734)
Profit before taxes	(3 720)	1 049	(1805)	894
Income tax	0	(375)	0	(347)
Net annual profit	(3 720)	674	(1805)	547
Earnings per share	(0,96)	0,17	(0,46)	0,14

Statement of Changes in Equity

	LTL thousand				
	Share Capital	Legal reserve	revaluation reserve	Accrued earnings	Total
Capital and reserves as of 31 December 2006	15 545	1 222	8 554	920	26 241
Replacement of the revaluation reserve					
Change in the deferred tax liability					
Dividend					
Allocation to the legal reserve					
Net profit (Loss)				674	674
Capital and reserves as of 30 June 2007	15 545	1 222	8 554	1 594	26 915
Replacement of the revaluation reserve			(198)	198	0
Dividend					
Allocation to the legal reserve					0
Net profit (Loss)				1 125	1 125
Capital and reserves as of 31 December 2007	15 545	1 222	8 356	2 917	28 040
Replacement of the revaluation reserve					
Dividend					
Allocation to the legal reserve		200		(200)	-
Net profit (Loss)				(3 720)	(3 720)
Capital and reserves as of 30 June 2008	15 545	1 422	8 356	(1 003)	24 320

Cash Flow Statement

LTL thousand

	6 months 2008	6 months 2007
Result after taxes	(3 720)	674
Adjustments:		
Depreciation and amortisation	3 628	4 373
Result from investing activities		0
Sale, writing off, etc. of non-current tangible assets	108	1
Deferred taxes		0
Provisions for outdated inventories		0
Provisions for problematic amounts receivable		0
Amounts accrued to cover tax liabilities		0
Holiday pay reserve		0
Financial income and costs	1 819	2 517
Cash flow from ordinary activities before changes in working capital	1 835	7 565
Changes in trade receivables and other amounts receivable	786	(1 611)
Changes in inventories	(168)	728
Changes in debts to suppliers and other liabilities	833	616
Cash flow from operating activities	3 286	7 298
Income tax paid		375
Cash flow from operating activities	3 286	7 673
Acquisition of non-current assets	(414)	(398)
Acquisition of investments		(14)
Result from investing activities	2 125	0
Capitalisation of non-current intangible assets		0
Sale/writing off of non-current tangible assets		204
Dividend and interest received		0
Cash flows from investing activities	1 711	(208)
Dividend paid		(5)
Loans received/repaid	(3 241)	(5 682)
Interest paid	(1 778)	(1 780)
Cash flows from financing activities, net	(5 019)	(7 467)
Cash flows from operating, investing and financing activities	(22)	(2)
Cash and cash equivalents as of 1 January 2008	61	15
Cash and cash equivalents as of 30 Juny 2008	39	13

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 Juny 2008, the Company employed 673 people (on 31 December 2007, there were 821 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

Raw materials are recorded at the acquisition cost or at net realizable value, whichever are lower, less provisions for slow-turnover and outdated inventory items.

Construction in progress is disclosed at costs that include the purchase price of raw materials and assembling units, direct labour costs and related indirect production costs.

Completed products are disclosed at the standard sales price adjusted by an estimated average margin.

When calculating the costs the FIFO method is applied.

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.

2 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	
	6 months 2008	6 months 2007	6 months 2008	6 months 2007
Lithuania	753	1 464	94 075	105 920
Other European countries	35 441	47 180	0	0
Other countries	27 396	25 699		
	<u>63 590</u>	<u>74 343</u>	<u>94 075</u>	<u>105 920</u>

3 Distribution costs

	6 months 2008	6 months 2007
	LTL thousand	LTL thousand
Remuneration and social insurance	531	402
Export costs (transportation)	46	32
Depreciation	73	71
Business trips	0	6
Advertising	2	5
Other	30	25
	<u>682</u>	<u>541</u>

4 Administrative costs

	6 months 2008	6 months 2007
	LTL thousand	LTL thousand
Remuneration and social insurance	1 762	1 532
Depreciation	188	227
Employee training and other	94	372
Utilities and communication	254	224
Amortization	126	125
Insurance	74	54
Business trips	46	69
Bank services	24	26
Repairs and maintenance costs	228	28
Professional services	7	10
Other	904	663
	<u>3 707</u>	<u>3 330</u>

5 Income from ancillary activities, net

	6 months 2008	6 months 2007
	LTL thousand	LTL thousand
Lease income	858	126
Sale of waste materials	0	63
Written off problematic debts	0	(278)
Other income and losses	(413)	(232)
	<u>445</u>	<u>(321)</u>

6 Financial income, net

	6 months 2008	6 months 2007
	LTL thousand	LTL thousand
Bank loan interest costs	(1 777)	(1 780)
Amortisation of future income		(3)
Currency exchange profit, less loss	(39)	(23)
Other income and losses	(3)	
	<u>(1 819)</u>	<u>(1 806)</u>

7 Earnings per share

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

LTL thousand	30.06.2008	30.06.2007
Net annual profit	(3 720)	674
Weighted average number of the shares (thou)	3 886	3 886
Earnings per share (LTL)	<u>(0,96)</u>	<u>0,17</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.

8 Non-current tangible assets

LTL thousand	Buildings	Machinery and equipment	Vehicles	Other non-current assets	Construction in progress	Total
Costs as of 1 January	33 093	59 596	374	2 912	0	95 975
Increase	0	80	0	71	0	151
Sales		(289)	(242)	(6)	0	(537)
Writing off	0	0	0	0	0	0
Regrouping	0	(41)	0	41	0	0
Costs as of 30 Juny	33 093	59 346	132	3 018	0	95 589
Depreciation as of 1 January	10 585	31 373	189	1 962	0	44 109
Depreciation during first quarter of the year	504	2 831	9	179	0	3 523
Sales		(289)	(134)	(5)	0	(428)
Writing off	0	0	0	0	0	0
Regrouping	0	(16)	0	16	0	0
Depreciation as of 30 Juny	11 089	33 899	64	2 152	0	47 204
Net carrying value as OF 30 Juny	22 004	25 447	68	866	0	48 385
Net carrying value as OF 1 January	22 508	28 223	185	950	0	51 866
Depreciation period	40 years	6-10 years	5 - 10 years	2 - 6 years		

Depreciation was broken down as follows:

LTL thousand	30.06.2008	30.06.2007
Production and product development costs	3 241	4 004
Sales, administrative and other costs	282	298
Total	3 523	4 302

9 Investments

	30.06.2008	30.06.2007
	LTL thousand	LTL thousand
Shares of UAB "Girių Bizonas"	26 250	26 250
Shares of UAB "Ari-Lux"	16	16
Other	2	2
The result of proprietary method	(5 674)	(1 928)
Net carrying value as of 30 Juny	<u>20 594</u>	<u>24 340</u>

10 Inventories

	30.06.2008	30.06.2007
	LTL thousand	LTL thousand
Raw materials	6 550	9 506
Production in progress	3 344	2 209
Finished products	1 860	1 124
Goods for resale	1	40
Net carrying value as of 31 March	<u>11 755</u>	<u>12 879</u>

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

11 Other accounts receivable

	30.06.2008	30.06.2007
	LTL thousand	LTL thousand
Advance income tax	0	315
Loan to supplier		0
Amounts receivable from the state (VAT recoverable)	1 445	1 050
Other amounts receivable and future costs	1 174	506
Net carrying value as of 31 March	<u>2 619</u>	<u>1 871</u>

12 Cash and cash equivalents

	30.06.2008	30.06.2007
	LTL thousand	LTL thousand
Cash in banks	24	6
Cash on hand	15	8
Cash and cash equivalents at the end of the period	<u>39</u>	<u>14</u>

13 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.

14 Loans and other borrowings, secured with pledged assets

	30.06.2008	30.06.2007
	LTL thousand	LTL thousand
Non-current liabilities		
Long-term loan	23 358	29 617
Net carrying value as of 30 Juny	<u>23 358</u>	<u>29 617</u>
Short-term liabilities, secured with pledged assets		
Current portion of loans	14 837	13 876
Net carrying value as of 30 Juny	<u>14 837</u>	<u>13 876</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%.

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%.

On August 10 2007 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 2007 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 2007 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%.

On February 22 2008 the Company re-form credit line agreement with AB "Sampo bankas". The maximum credit line amounts to 3 620 thousand EUR. 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 Juny 2008	4 – 12 2008	2009	2010-2012
Loan of EUR 2 540 thousand	2 840	811	1 623	406
Loan of EUR 9 369 thousand	23 638	2 308	4 618	16 712
Used credit of EUR 3 620 thousand	11 717	6 583	5 134	0
Total	38 195	9 702	11 375	17 118

15 Other creditors

	30.06.2008	30.06.2007
	LTL thousand	LTL thousand
Holiday pay reserve	1 179	983
Remuneration	969	1 294
Operating taxes	73	203
Social insurance	593	564
Dividend for the previous year	284	3
Income tax liability	690	375
Other accounts payable and accrued taxes	306	1 392
Net carrying value as of 30 Juny	4 094	4 814

16 Personnel costs

	30.06.2008	30.06.2007
	LTL thousand	LTL thousand
Production and product development costs	9 762	10 843
Sales, administrative and other costs	2 292	1 934
	<u>12 054</u>	<u>12 777</u>

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 Juny 2008 may be broken down as follows:

LTL thousand	EUR	USD	SEK	Other
Trade debtors	41	0	0	0
Cash	0	0	0	0
Borrowings	(38 195)	0	0	0
Debts to suppliers	(3 030)	(39)	(1 147)	0
	<u>(41 184)</u>	<u>(39)</u>	<u>(1 147)</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 Juny 2008, the Company used no financial instruments as interest risk hedging.